



CITY OF EDINA

2005 Comprehensive Annual Financial Report

CITY OF EDINA, MINNESOTA

Comprehensive Annual Financial Report
For the fiscal year ended
December 31, 2005

Prepared by:
Department of Finance

John Wallin – Treasurer and Finance Director
Eric Roggeman – Assistant Finance Director
Paula Nelson – Accountant

CITY OF EDINA, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
I. INTRODUCTORY SECTION		
Letter of Transmittal		1
Organization		5
Organization Chart		6
II. FINANCIAL SECTION		
Independent Auditors' Report		7
Management's Discussion and Analysis		9
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	Statement 1	21
Statement of Activities	Statement 2	22
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Statement 4	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Statement 5	27
Statement of Net Assets - Proprietary Funds	Statement 6	28
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	Statement 7	29
Statement of Cash Flows - Proprietary Funds	Statement 8	30
Statement of Fiduciary Net Assets - Fiduciary Funds	Statement 9	32
Notes to the Financial Statements		33
Required Supplementary Information:		
Budgetary Comparison Information:		
Budgetary Comparison Schedule - General Fund	Statement 10	61
Notes to Required Supplementary Information		67

CITY OF EDINA, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
Combining and Individual Non Major Fund Financial Statements and Schedules:		
Combining Balance Sheet - Nonmajor Special Revenue Funds	Statement 11	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	Statement 12	71
Special Revenue Fund - Community Development Block Grant Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	Statement 13	72
Combining Statement of Net Assets - Nonmajor Proprietary Funds	Statement 14	74
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Proprietary Funds	Statement 15	75
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	Statement 16	76
Combining Statement of Changes in Assets and Liabilities - Agency Funds	Statement 17	77
Supplementary Financial Information:		
Combined Schedule of Indebtedness	Exhibit 1	80
Assessed Valuation, Tax Levies and Mill Rates	Exhibit 2	82
Schedule of Sources and Uses of Public Funds for 50th & France - #1200	Exhibit 3	83
Schedule of Sources and Uses of Public Funds for Southeast Edina Redevelopment District - #1201	Exhibit 4	84
Schedule of Sources and Uses of Public Funds for Grandview Area Redevelopment District - #1202	Exhibit 5	85
Schedule of Sources and Uses of Public Funds for Southeast Edina Redevelopment District - #1203	Exhibit 6	86
Schedule of Sources and Uses of Public Funds for 70th Street and Cahill Road District - #1207	Exhibit 7	87

CITY OF EDINA, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
III. STATISTICAL SECTION (UNAUDITED)		
Government-wide Information:		
Government-wide Expenses By Function	Table 1	90
Government-wide Revenues	Table 2	92
Fund Information:		
Property Tax Levies and Collections	Table 3	93
Assessed Value or Tax Capacity and Estimated Market Value of Taxable Property	Table 4	94
Property Tax Rates - All Overlapping Governments	Table 5	95
Special Assessment Collections	Table 6	96
Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt per Capita	Table 7	97
Computation of Direct and Overlapping Debt	Table 8	98
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	Table 9	99
Revenue Bond Coverage	Table 10	100
Property and Construction Values	Table 11	101
Principal Taxpayers	Table 12	102
Major Employers in the City	Table 13	103
Demographic Statistics	Table 14	104
Miscellaneous Statistical Data	Table 15	105

This page left blank intentionally.



April 12, 2006

City of Edina

To the Honorable Mayor
and City Council
City of Edina
4801 West 50th Street
Edina, Minnesota 55424

Dear Honorable Mayor and Council Members:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Edina, Minnesota (the City) for the fiscal year ended December 31, 2005.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich, & Co. P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1888, is a fully developed first-ring suburb of Minneapolis. The City currently occupies a land area of 16 square miles and serves a population of 48,050. Currently, 98% of the City is developed with 55.5% of the land attributed to residential uses, 13.1% to roadways and 11.8% supporting the park and open spaces. The remainder of the land is used for commercial, industrial and public/semi-public uses.

The City has operated under the Council-Manager form of government since 1955. Policy-making and legislative authority are vested in a City Council consisting of the Mayor and four other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the city government, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two Council members elected every four years and the Mayor and two Council members elected in staggered four-year terms. The Council and Mayor are elected at large.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; water and sewer services and recreational activities and cultural events.

The annual budget serves as the foundation for the City's financial planning and control. All departments and agencies of the City submit request for appropriation to the City Manager in June of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review prior to August 31. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City's fiscal year.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g. police). The City Council may authorize transfers of budgeted amounts between departments. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented starting on page 61 as part of the Required Supplementary Information. For governmental funds other than the general fund with appropriated annual budgets, this comparison is presented in the Combining and Individual Non-major Fund Financial Statements and Schedules subsection of this report, which starts on page 70.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. The City currently enjoys a favorable economic environment and local indicators point to continued stability. The region, while noted for a strong retail sector, enjoyed considerable re-development in recent years. The re-development consisted of varied manufacturing, medical and high-tech base that adds to the relative stability of the unemployment rate. Major industries with headquarters or divisions within the government's boundaries or in close proximity include medical services, retail operations and banking services. Edina is home to over 50,000 jobs that are expected to remain stable over the coming years.

The City has become known for its quality residential housing stock and attractive neighborhoods. To date, approximately 98% of the housing stock is in place. Although the emphasis has changed over the years from exclusively single family housing to a more balanced mix of housing types, the City's concern for overall quality in residential development remains a top priority.

The City enjoys a AAA bond rating and a Aaa bond rating from Standard and Poors and Moody's respectively.

Long-term financial planning. The City continues to focus on quality of life improvements throughout Edina. These efforts cover a broad array of areas including protecting and improving the environment, revitalization of parks and public areas, expanding recreational opportunities, expanding City services, and increasing communication between City representatives and the public.

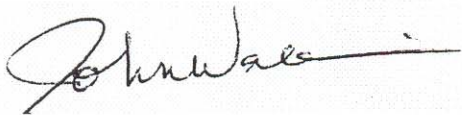
The City is working closely with state government, federal government and neighboring communities to improve the area's state and county transportation network, which includes upgraded highways and well-placed pathways. Funding for most of the transportation improvements will need to come from state, county and federal sources, with some minor portion supported by the local taxpayers.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, and commercial paper. The maturities of the investments range from 3 days to 38 years, with an average maturity of 9 years. The investment income return for 2005 on all investments was 3.2 percent. Investment income includes changes in the fair value of investments. Changes in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk management. The City contracts the services of a risk consultant. The consultant continually reviews the City's exposure to losses, writes insurance specifications, negotiates placement and renewal of coverage and reviews programs to reduce costs and improve cash flow. Insurance costs continue to rise as the City experiences increases in the miles of road, payroll and expenditures.

Acknowledgements. The preparation of this report would not have been possible without the dedicated services of the Finance Department staff. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John Wallin", with a long horizontal flourish extending to the right.

John Wallin
Finance Director

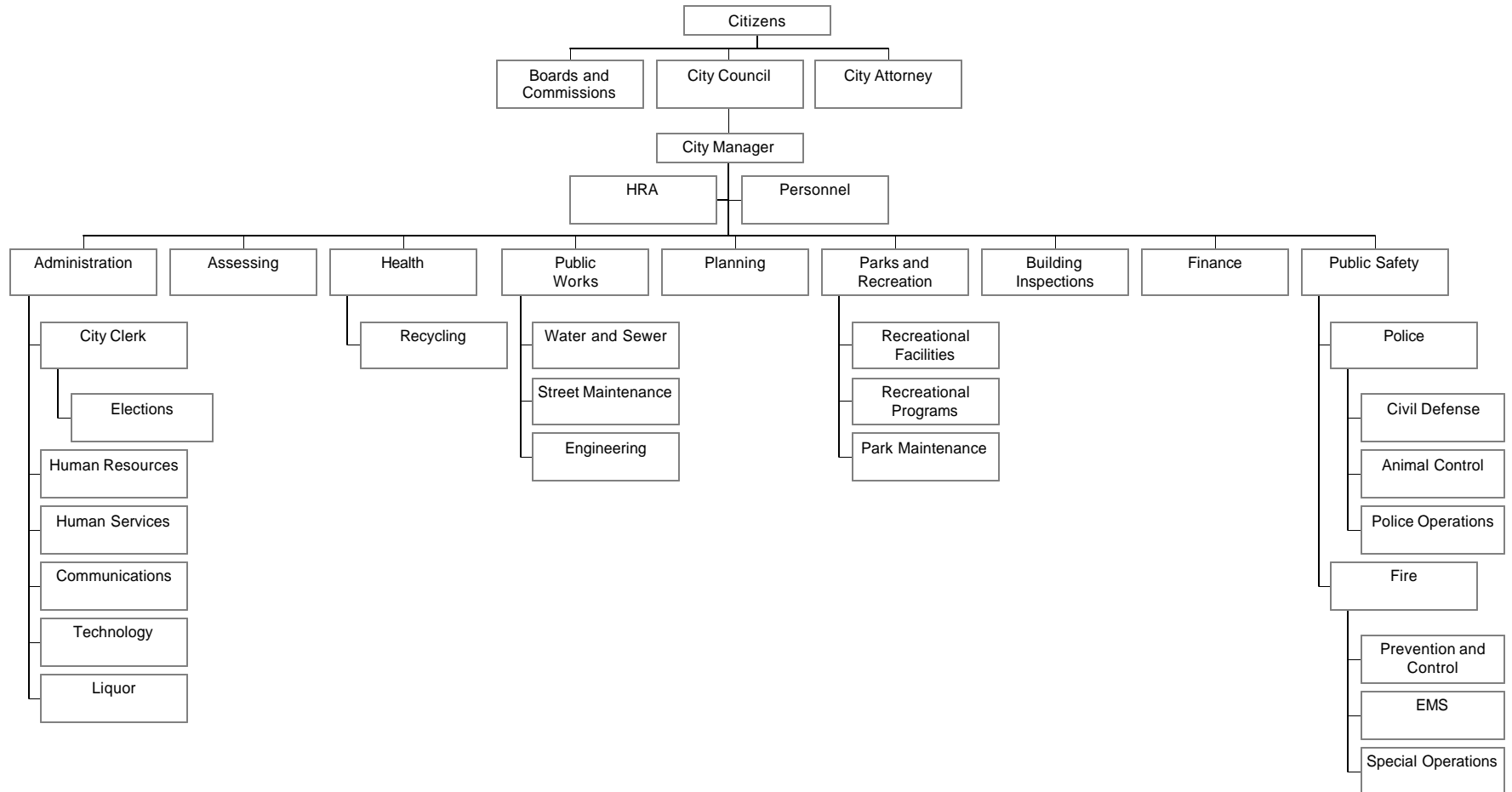
CITY OF EDINA, MINNESOTA

ORGANIZATION

December 31, 2005

	<u>Term Expires</u>
Mayor: James Hovland	December 31, 2008
Council Members: Scot Housh	December 31, 2006
Alice Hulbert	December 31, 2006
Linda Masica	December 31, 2008
Ann Swenson	December 31, 2008
City Manager: Gordon Hughes	Appointed
Finance Director/Treasurer: John Wallin	Appointed
City Clerk: Debra Mangel	Appointed

City of Edina



INDEPENDENT AUDITOR'S REPORT

To the City Council and Residents
City of Edina, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Edina (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City at December 31, 2005, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 12, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

(continued)

The Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, supplementary financial information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and supplementary financial information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.

April 12, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Edina (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 4 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$123,133,653 (net assets). Of this amount, \$46,918,521 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$8,730,369.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43,374,873. Of this total amount, \$29,359,210, or 68%, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$11,595,433, or 48% of total general fund expenditures.
- The City's total bonded debt increased by \$7,545,000 during the current fiscal year, from \$60,835,000 to \$68,380,000. The City issued \$32,505,000 in debt during the year, including two "crossover refunding" issues. At year-end, the City had \$9,049,242 in assets held by a trustee that were used to refund \$9,035,000 in outstanding bonded debt on February 1, 2006. Since the refunding occurred after year-end, the principal amount of the bonds that were refunded are included in the outstanding debt total at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

Management's Discussion and Analysis (Continued)

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works and parks. The business-type activities of the City include utilities, liquor, aquatic center, golf course and community activity centers.

The government-wide financial statements can be found on pages 21 through 23 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Management's Discussion and Analysis (Continued)

The City maintains 4 individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, construction fund and the Housing and Redevelopment Authority fund.

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and one of its special revenue funds.

A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 25 through 27 of this report.

Proprietary funds. The City maintains four major enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its utility, liquor, aquatic center and golf course operations.

Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds are provided in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 28 through 31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 32 of this report.

Management's Discussion and Analysis (Continued)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 60 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental and enterprise funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 69 through 77 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$123,133,653 at the close of the most recent fiscal year.

The largest portion of the City's net assets (\$76,136,189 or 62%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Edina's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 50,732,285	\$ 36,819,938	\$ 13,162,400	\$ 14,653,953	\$ 63,894,685	\$ 51,473,891
Capital assets	86,694,237	83,676,658	49,664,376	48,340,698	136,358,613	132,017,356
Total assets	<u>\$ 137,426,522</u>	<u>\$ 120,496,596</u>	<u>\$ 62,826,776</u>	<u>\$ 62,994,651</u>	<u>\$ 200,253,298</u>	<u>\$ 183,491,247</u>
Long-term liabilities outstanding	\$ 46,150,081	\$ 45,184,272	\$ 8,855,261	\$ 10,323,185	\$ 55,005,342	\$ 55,507,457
Other liabilities	19,308,677	10,084,012	2,805,626	3,496,494	22,114,303	13,580,506
Total liabilities	<u>\$ 65,458,758</u>	<u>\$ 55,268,284</u>	<u>\$ 11,660,887</u>	<u>\$ 13,819,679</u>	<u>\$ 77,119,645</u>	<u>\$ 69,087,963</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 36,092,020	\$ 34,320,784	\$ 40,044,169	\$ 37,240,476	\$ 76,136,189	\$ 71,561,260
Restricted	78,943	2,145,488	-	-	78,943	2,145,488
Unrestricted	35,796,801	28,762,040	11,121,720	11,934,496	46,918,521	40,696,536
Total net assets	<u>\$ 71,967,764</u>	<u>\$ 65,228,312</u>	<u>\$ 51,165,889</u>	<u>\$ 49,174,972</u>	<u>\$ 123,133,653</u>	<u>\$ 114,403,284</u>

Management's Discussion and Analysis (Continued)

A portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$46,918,521) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

As shown below, the City's net assets increased by \$8,730,369 during the current fiscal year. Factors contributing to this change are discussed in the next two sections.

City of Edina's Changes in Net Assets

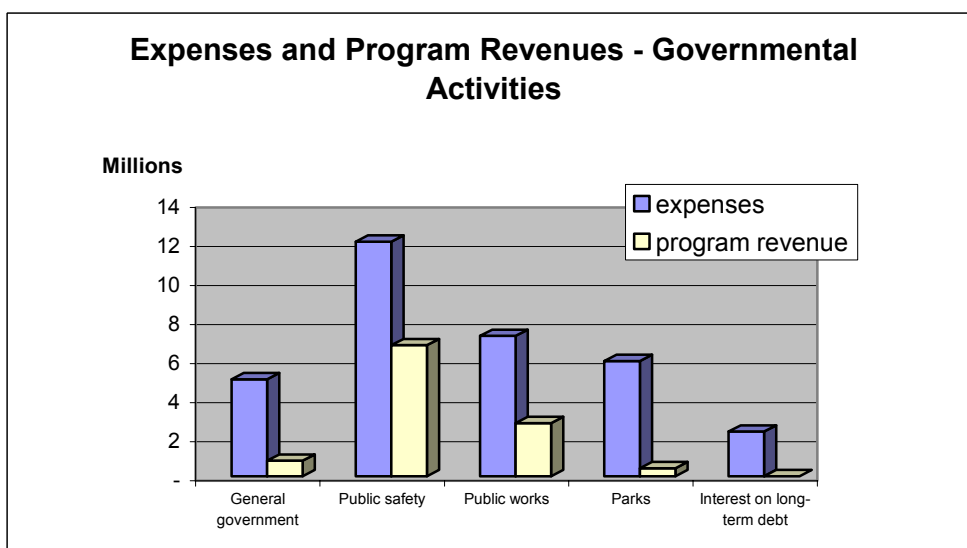
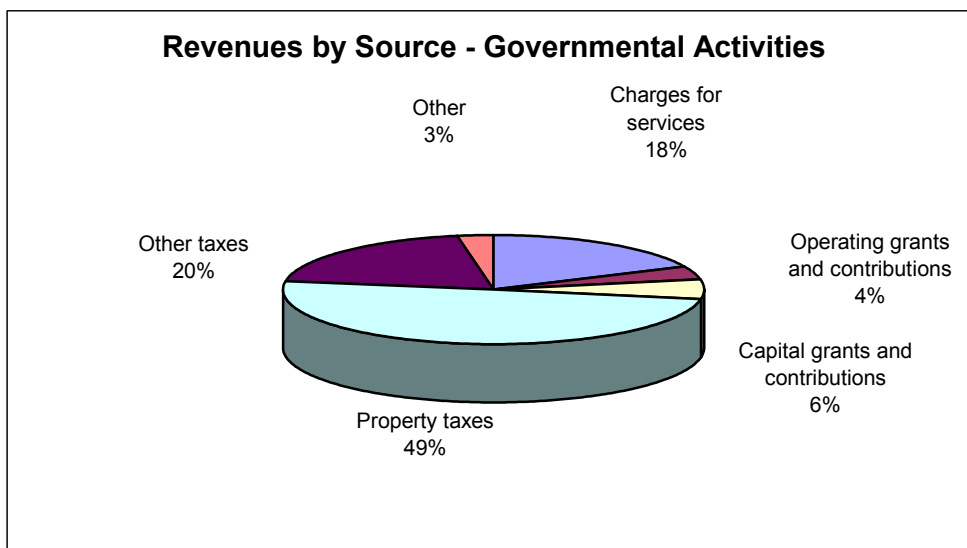
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 6,864,089	\$ 5,837,745	\$ 28,577,344	\$ 27,461,413	\$ 35,441,433	\$ 33,299,158
Operating grants and contributions	1,512,366	1,154,808	131,408	138,447	1,643,774	1,293,255
Capital grants and contributions	2,252,491	4,192,947	-	-	2,252,491	4,192,947
General revenues:						
Property taxes	19,071,202	17,865,757	-	-	19,071,202	17,865,757
Other taxes	7,518,165	7,212,890	-	-	7,518,165	7,212,890
Gain on disposal of asset	63,674	-	22,538	6,490	86,212	6,490
Unrestricted investment earnings	977,956	443,074	236,654	227,167	1,214,610	670,241
Total revenues	<u>38,259,943</u>	<u>36,707,221</u>	<u>28,967,944</u>	<u>27,833,517</u>	<u>67,227,887</u>	<u>64,540,738</u>
Expenses:						
General government	4,967,008	6,934,045	-	-	4,967,008	6,934,045
Public safety	12,019,027	11,063,767	-	-	12,019,027	11,063,767
Public works	7,185,784	5,834,490	-	-	7,185,784	5,834,490
Parks	5,901,648	4,248,060	-	-	5,901,648	4,248,060
Interest on long-term debt	2,288,524	2,399,682	-	-	2,288,524	2,399,682
Utilities	-	-	8,254,409	7,801,580	8,254,409	7,801,580
Liquor	-	-	9,749,313	9,110,888	9,749,313	9,110,888
Aquatic Center	-	-	725,936	701,768	725,936	701,768
Golf course	-	-	3,580,307	3,508,741	3,580,307	3,508,741
Community Activity Centers	-	-	3,825,562	3,850,192	3,825,562	3,850,192
Total expenses	<u>32,361,991</u>	<u>30,480,044</u>	<u>26,135,527</u>	<u>24,973,169</u>	<u>58,497,518</u>	<u>55,453,213</u>
Increase in net assets before transfers	5,897,952	6,227,177	2,832,417	2,860,348	8,730,369	9,087,525
Transfers	<u>841,500</u>	<u>655,227</u>	<u>(841,500)</u>	<u>(655,227)</u>	<u>-</u>	<u>-</u>
Increase in net assets	6,739,452	6,882,404	1,990,917	2,205,121	8,730,369	9,087,525
Net assets - January 1	<u>65,228,312</u>	<u>58,345,908</u>	<u>49,174,972</u>	<u>46,969,851</u>	<u>114,403,284</u>	<u>105,315,759</u>
Net assets - December 31	<u>\$ 71,967,764</u>	<u>\$ 65,228,312</u>	<u>\$ 51,165,889</u>	<u>\$ 49,174,972</u>	<u>\$ 123,133,653</u>	<u>\$ 114,403,284</u>

Management's Discussion and Analysis (Continued)

Governmental Activities

Governmental activities increased the City's net assets by \$6,739,452, accounting for 77% of the total growth in net assets. This increase is a combination of many surpluses and deficits, but the primary reason is that the City has chosen to delay reporting major infrastructure assets retroactively until fiscal year 2006, as described in footnote 3. Since these costs have not yet been capitalized, there is no corresponding depreciation expense recorded. Until the costs of the infrastructure can be estimated, it is impossible to estimate the impact that infrastructure depreciation will have on the financial statements next year.

Below are specific graphs which provide comparisons of the governmental activities revenues and expenses:

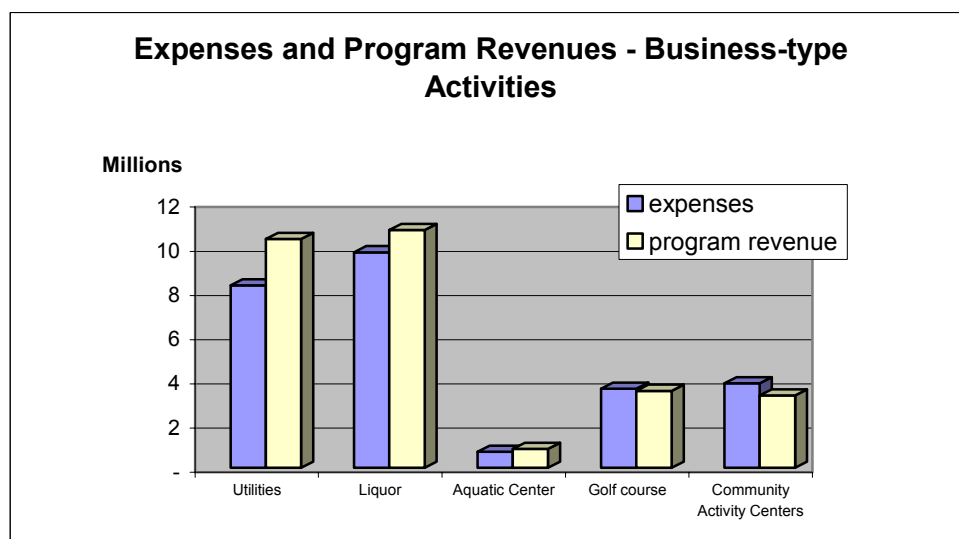
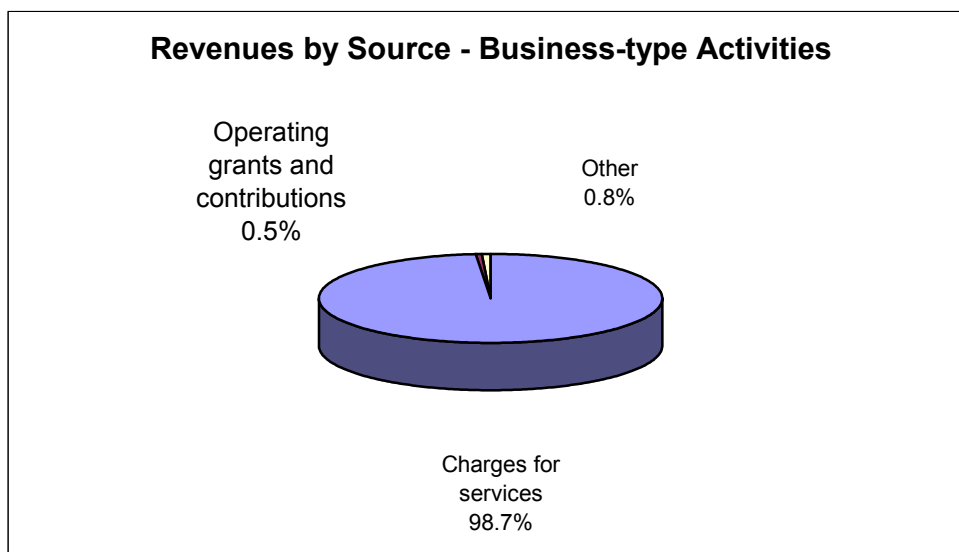


Management's Discussion and Analysis (Continued)

Business-type Activities

Business-type activities increased net assets by \$1,990,917 accounting for 23% of the City's growth in net assets. The increase in net assets is smaller than the prior year due to larger transfers to governmental activities and decreasing golf course revenues. Key elements of the current year increase are as follows:

- Charges for services for business-type activities increased 4.1% from 2004. The Aquatic Center had the largest individual percentage increase (11.2%) in charges for services, but the largest dollar increase (\$722,657) was from the liquor operations.
- Business-type activities made net transfers of \$841,500 to governmental activities during 2005 to provide cash flow for operational and capital improvement needs.



Management's Discussion and Analysis (Continued)

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43,374,873, an increase of \$11,859,361 in comparison with the prior year. Approximately 68 percent of this total amount (\$29,359,210) constitutes unreserved fund balance. The remainder of the fund balance is reserved because it has already been committed 1) to provide for prepaid items (\$223,351), 2) to pay committed contracts (\$2,422,917), 3) for special projects (\$354,649), or 4) to pay debt service (\$11,014,746).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$11,595,433. As a measure of the general fund's liquidity, unreserved fund balance represents 48% of total general fund expenditures.

The fund balance of the City's general fund increased by \$1,201,958 during the current fiscal year. Key factors in this growth are as follows:

- Total general fund revenues increased by 13.2% in the current fiscal year. The largest individual increases was in license and permit fees, which increased 44% from the prior year. Ambulance revenue also increased significantly, mostly due to increased calls for service.
- Total general fund expenditures increased 8.8% in the current fiscal year. Some increased costs were due to rising energy costs, but the largest factor was the City's equipment replacement program, which was approximately \$500,000 over budget due to large equipment purchases by the Police and Fire departments.
- A budgeted transfer of \$686,500 from the liquor fund was made to the construction fund instead of the general fund due to the relative strength of the general fund's financial position and positive operating results.

The debt service fund has a total fund balance of \$11,014,746, all of which is reserved for the payment of debt service. This balance includes \$9,049,242 in restricted investments which were held in trust at year-end for the crossover refunding of two bond issues (\$9,035,000 combined principal) occurring in February 2006.

The construction fund balance increased by \$2,427,657 in 2005 due to ongoing construction for two new gymnasiums, which was financed with a bond issue in 2005.

Management's Discussion and Analysis (Continued)

The Housing and Redevelopment Authority fund balance decreased by \$589,081 in the current fiscal year as several tax increment districts are rapidly paying down the debt that was issued. Two of the districts expire in 2009 and have the majority of the principal being paid over the next few years.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Operating revenues and expenses in the Utilities fund increased by 8% and 6%, respectively, in 2005, due to small rate increases that are intended to help replace aging infrastructure. The City's continuing investments in infrastructure are reported as increases in net capital assets, which increased \$1,323,678 from 2004.

The liquor fund made transfers totaling \$927,500 to other funds during 2005. The majority of this amount (\$786,500) was transferred to the construction fund to fund future infrastructure improvements, with the remainder transferred to nonmajor proprietary funds.

Aquatic center revenues increased 11% in 2005 due to increased attendance and favorable summer weather.

Operating revenues for the golf course fund decreased for the second consecutive year. Combined with the effects of increasing expenses, the golf course lost \$97,308 in 2005.

Budgetary Highlights

General Fund. There were no changes made to the original budget. During the year, revenues and expenditures exceeded budgetary estimates, and since increased revenues easily covered the increased expenditures, there was no need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounted to \$136,358,613 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, vehicles and equipment.

Major capital asset events during the current fiscal year included the following:

- Construction started on two new Gymnasiums in 2005.
- A variety of street construction, sidewalk and traffic signal projects began in 2005; construction in progress as of the close of the year reached \$8,029,499.
- The City added a new "infrastructure" category to our capital assets which includes streets, sidewalks, parking ramps, sewers, wells and other infrastructure. With the addition of a new category, some category reclassifications were necessary, although they have no effect on total amounts.

Management's Discussion and Analysis (Continued)

City of Edina's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land and land improvements	\$ 25,463,830	\$ 30,798,413	\$ 5,553,727	\$ 5,832,714	\$ 31,017,557	\$ 36,631,127
Buildings and improvements	30,219,684	29,271,125	7,747,988	8,206,831	37,967,672	37,477,956
Machinery and equipment	8,859,303	9,155,646	2,296,740	2,385,570	11,156,043	11,541,216
Infrastructure	16,755,486	-	31,432,356	26,321,161	48,187,842	26,321,161
Construction in progress	5,395,934	14,451,474	2,633,565	5,594,422	8,029,499	20,045,896
Total	<u>\$ 86,694,237</u>	<u>\$ 83,676,658</u>	<u>\$ 49,664,376</u>	<u>\$ 48,340,698</u>	<u>\$ 136,358,613</u>	<u>\$ 132,017,356</u>

Additional information on the City's capital assets can be found in Note 3.

Long-term debt. At the end of the current fiscal year, the City had total bonded long-term debt outstanding of \$68,380,000, an increase of \$7,545,000 from 2004.

\$13,225,000 is for general obligation improvement debt that is supported by property tax levies and special assessments. This amount increased from 2004 due to issuance of permanent improvement revolving (PIR) bonds, which finance the City's special assessment program. In addition, \$5,575,000 of this amount was retired in early 2006 as part of a crossover refunding initiated in 2005.

An additional \$28,905,000 of general obligation tax increment debt financed the City's economic development program. \$3,460,000 of this amount was retired in early 2006 as part of a crossover refunding initiated in 2005.

Also outstanding is \$16,560,000 public project revenue bonds which financed the City Hall and Police facility as well as two gymnasiums, which are under construction as of year-end.

There is a total of \$9,690,000 in revenue bonds for improvements to the enterprise funds.

City of Edina's Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Tax increment bonds	\$ 28,905,000	\$ 30,760,000	\$ -	\$ -	\$ 28,905,000	\$ 30,760,000
General obligation bonds	13,225,000	7,295,000	-	-	13,225,000	7,295,000
Public project revenue bonds	16,560,000	11,595,000	-	-	16,560,000	11,595,000
Revenue bonds	-	-	9,690,000	11,185,000	9,690,000	11,185,000
Total	<u>\$ 58,690,000</u>	<u>\$ 49,650,000</u>	<u>\$ 9,690,000</u>	<u>\$ 11,185,000</u>	<u>\$ 68,380,000</u>	<u>\$ 60,835,000</u>

The City maintains a Aaa rating from Moody's and a AAA rating from Standard & Poor's.

Management's Discussion and Analysis (Continued)

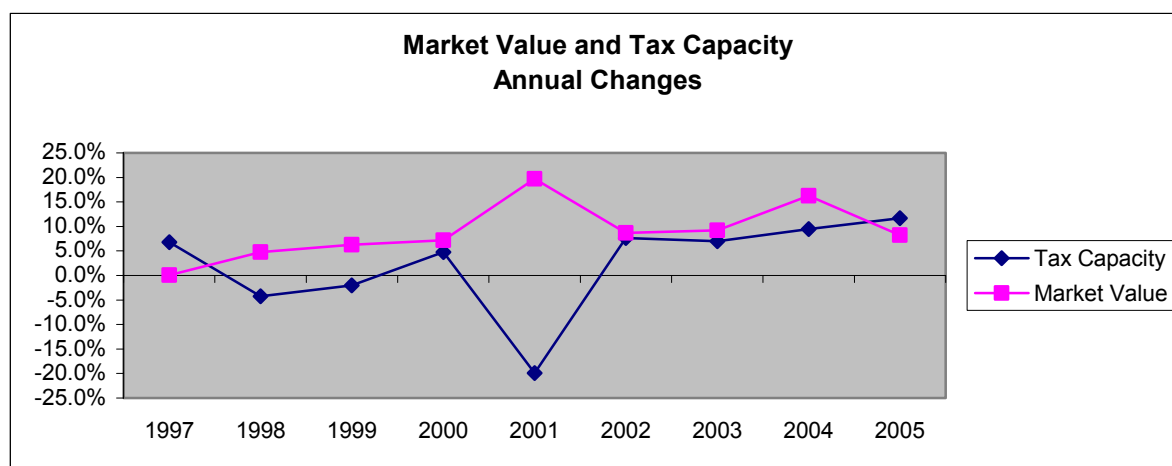
State statutes limit the amount of general obligation debt a Minnesota city may issue to 2% of total Estimated Market Value. The current debt limitation for the City is \$173,866,918. Only \$11,593,838 of the City's outstanding debt is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Note 4.

Economic Factors and Next Year's Budget

The City strives to provide an uncommonly high quality of life for our residents and businesses and the healthy local economy helps to make this goal a reality. The unemployment rate in Edina for March 2006 was 3.2%, well below the state and national levels. In fact, according to the State of Minnesota Department of Employment and Economic Development, the City's unemployment rate has been lower than the national rate every month since at least 1990. The City is home to Southdale Center, the nation's first fully enclosed climate-controlled regional shopping mall, Fairview Southdale hospital, as well as several corporate headquarters. In addition to its healthy economy, Edina is known for excellent public schools, as the Edina school system has been consistently selected as one of the best in the country. Ninety-six percent of seniors go to college and eighty-six percent finish in five years.

Property values in Edina have been increasing at a rapid pace for several years. Estimated market value of all parcels increased over 8% for taxes payable in 2006 after a 16% increase the year before. The City Council is currently reviewing several redevelopment projects that would make this trend likely to continue.



The City collects property taxes based on tax capacity, which is roughly estimated market value multiplied by class rates for different types of parcels (commercial, residential, etc.), which are set by state statute. Tax capacity increased over 11.5% for taxes payable in 2006, and has been increasing steadily ever since the state revised property tax law in 2001.

Management's Discussion and Analysis (Continued)

Due to the recent increases in market value and tax capacity, property tax rates have been decreasing since the property tax law changes mentioned earlier.

The City's adopted 2006 budget includes a property tax levy of \$18,560,151 for the general fund, an increase of 4.4% from the 2005 general fund levy.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 4801 West 50th Street, Edina, Minnesota 55424. The City's Comprehensive Annual Financial Report can also be found on the internet at www.cityofedina.com.

CITY OF EDINA, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2005

Statement 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 51,239	\$ 293,366	\$ 344,605
Investments	36,621,466	8,825,686	45,447,152
Restricted investments	9,049,242	-	9,049,242
Accrued interest	212,464	48,622	261,086
Accounts receivable, net	409,681	2,203,501	2,613,182
Special assessments receivable	3,961,943	151,160	4,113,103
Due from other governments	375,540	3,482	379,022
Prepaid items	223,351	-	223,351
Internal balances	(500,000)	500,000	-
Inventory	-	1,109,991	1,109,991
Total current assets	50,404,926	13,135,808	63,540,734
Noncurrent assets:			
Deferred charges	327,359	26,592	353,951
Nondepreciable capital assets	19,702,783	3,722,530	23,425,313
Depreciable capital assets (net)	66,991,454	45,941,846	112,933,300
Total noncurrent assets	87,021,596	49,690,968	136,712,564
Total assets	137,426,522	62,826,776	200,253,298
Liabilities:			
Current liabilities:			
Accounts payable	2,465,852	729,542	3,195,394
Salaries payable	295,573	71,969	367,542
Accrued interest payable	953,738	164,111	1,117,849
Contracts payable	213,340	830	214,170
Due to other governments	61,690	136,356	198,046
Deposits payable	65,925	11,569	77,494
Unearned revenue	1,930	62,532	64,462
Compensated absences payable	295,330	83,717	379,047
Liabilities payable from restricted assets	8,970,299	-	8,970,299
Bonds payable	5,985,000	1,545,000	7,530,000
Total current liabilities	19,308,677	2,805,626	22,114,303
Noncurrent liabilities:			
Compensated absences payable	2,657,970	753,462	3,411,432
Bonds payable, net of unamortized discount	43,492,111	8,101,799	51,593,910
Total noncurrent liabilities	46,150,081	8,855,261	55,005,342
Total liabilities	65,458,758	11,660,887	77,119,645
Net assets:			
Invested in capital assets, net of related debt	36,092,020	40,044,169	76,136,189
Restricted for debt service	78,943	-	78,943
Unrestricted	35,796,801	11,121,720	46,918,521
Total net assets	\$ 71,967,764	\$ 51,165,889	\$ 123,133,653

The accompanying notes are an integral part of these financial statements

CITY OF EDINA, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,967,008	\$ 619,526	\$ 172,635	\$ -
Public safety	12,019,027	5,614,406	1,093,023	-
Public works	7,185,784	273,859	195,000	2,252,491
Parks	5,901,648	356,298	51,708	-
Interest on long-term debt	2,288,524	-	-	-
Total government activities	<u>32,361,991</u>	<u>6,864,089</u>	<u>1,512,366</u>	<u>2,252,491</u>
Business-type activities:				
Utilities	8,254,409	10,240,381	110,683	-
Liquor	9,749,313	10,752,724	-	-
Aquatic Center	725,936	849,380	-	-
Golf Course	3,580,307	3,482,999	-	-
Community Activity Centers	3,825,562	3,251,860	20,725	-
Total business-type activities	<u>26,135,527</u>	<u>28,577,344</u>	<u>131,408</u>	<u>-</u>
Total primary government	<u>\$ 58,497,518</u>	<u>\$ 35,441,433</u>	<u>\$ 1,643,774</u>	<u>\$ 2,252,491</u>

The accompanying notes are an integral part of these financial statements.

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
	\$ (4,174,847)	\$ -	\$ (4,174,847)
	(5,311,598)	-	(5,311,598)
	(4,464,434)	-	(4,464,434)
	(5,493,642)	-	(5,493,642)
	(2,288,524)	-	(2,288,524)
	<u>(21,733,045)</u>	<u>-</u>	<u>(21,733,045)</u>
	-	2,096,655	2,096,655
	-	1,003,411	1,003,411
	-	123,444	123,444
	-	(97,308)	(97,308)
	-	(552,977)	(552,977)
	<u>-</u>	<u>2,573,225</u>	<u>2,573,225</u>
	<u>(21,733,045)</u>	<u>2,573,225</u>	<u>(19,159,820)</u>
General revenues:			
Property taxes	19,071,202	-	19,071,202
Tax increment collections	7,060,744	-	7,060,744
Franchise taxes	457,421	-	457,421
Unrestricted investment earnings	977,956	236,654	1,214,610
Gain on disposal of capital assets	63,674	22,538	86,212
Transfers	841,500	(841,500)	-
Total general revenues and transfers	<u>28,472,497</u>	<u>(582,308)</u>	<u>27,890,189</u>
Change in net assets	6,739,452	1,990,917	8,730,369
Net assets - beginning	<u>65,228,312</u>	<u>49,174,972</u>	<u>114,403,284</u>
Net assets - ending	<u>\$ 71,967,764</u>	<u>\$ 51,165,889</u>	<u>\$ 123,133,653</u>

This page left blank intentionally.

CITY OF EDINA, MINNESOTA

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2005

Statement 3

	General	Debt Service	Construction	Housing & Redevelopment Authority	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 34,023	\$ 121	\$ 4,314	\$ 8,633	\$ 4,148	\$ 51,239
Investments - unrestricted	10,628,068	1,631,162	11,313,945	12,418,027	630,264	36,621,466
Investments - restricted	-	9,049,242	-	-	-	9,049,242
Accrued interest	-	128,498	17,231	61,615	5,120	212,464
Accounts receivable	278,596	-	2,653	-	128,432	409,681
Special assessments receivable	-	-	3,961,943	-	-	3,961,943
Due from other funds	1,803,000	200,000	-	435	11,000	2,014,435
Due from other governments	290,260	10,022	6,201	58,952	10,105	375,540
Prepaid items	223,351	-	-	-	-	223,351
Total assets	<u>\$ 13,257,298</u>	<u>\$ 11,019,045</u>	<u>\$ 15,306,287</u>	<u>\$ 12,547,662</u>	<u>\$ 789,069</u>	<u>\$ 52,919,361</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 881,622	\$ 1,299	\$ 847,284	\$ 691,641	\$ 44,006	\$ 2,465,852
Salaries payable	293,255	-	1,212	-	1,106	295,573
Contracts payable	-	-	213,340	-	-	213,340
Due to other funds	200,435	3,000	2,300,000	-	11,000	2,514,435
Due to other governments	10,202	-	36,200	15,288	-	61,690
Deposits payable	53,000	-	12,925	-	-	65,925
Unearned revenue	-	-	-	-	1,930	1,930
Deferred revenue	-	-	3,925,743	-	-	3,925,743
Total liabilities	<u>1,438,514</u>	<u>4,299</u>	<u>7,336,704</u>	<u>706,929</u>	<u>58,042</u>	<u>9,544,488</u>
Fund balance:						
Reserved for:						
Prepaid items	223,351	-	-	-	-	223,351
Encumbrances	-	-	2,422,917	-	-	2,422,917
Special projects	-	-	354,649	-	-	354,649
Debt service	-	11,014,746	-	-	-	11,014,746
Unreserved:						
Designated, reported in:						
General Fund	11,595,433	-	-	-	-	11,595,433
Capital Project Funds	-	-	5,192,017	-	-	5,192,017
Undesignated, reported in:						
Special Revenue Funds	-	-	-	-	731,027	731,027
Capital Project Funds	-	-	-	11,840,733	-	11,840,733
Total fund balance	<u>11,818,784</u>	<u>11,014,746</u>	<u>7,969,583</u>	<u>11,840,733</u>	<u>731,027</u>	<u>43,374,873</u>
Total liabilities and fund balances	<u>\$ 13,257,298</u>	<u>\$ 11,019,045</u>	<u>\$ 15,306,287</u>	<u>\$ 12,547,662</u>	<u>\$ 789,069</u>	<u>\$ 52,919,361</u>
Fund balance reported above						\$ 43,374,873
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds						86,694,237
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds						3,925,743
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.						(62,027,089)
Net assets of governmental activities						<u>\$ 71,967,764</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For The Year Ended December 31, 2005

Statement 4

	General	Debt Service	Construction	Housing & Redevelopment Authority	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
General property taxes	\$ 17,191,143	\$ 1,880,059	\$ -	\$ -	\$ -	\$ 19,071,202
Tax increment collections	-	-	-	7,060,744	-	7,060,744
Special assessments	-	-	1,354,264	-	-	1,354,264
Franchise fees	-	-	-	-	457,421	457,421
License and permits	3,240,622	-	-	-	-	3,240,622
Intergovernmental	1,147,345	-	219,189	-	172,635	1,539,169
Charges for services	2,415,766	-	50,897	-	-	2,466,663
Fines and forfeitures	742,917	-	-	-	-	742,917
Investment income	181,784	215,706	283,854	281,536	15,076	977,956
Rental of property	283,595	-	31,947	-	-	315,542
Other revenues	149,463	-	22,537	1,200	54,246	227,446
Total revenues	<u>25,352,635</u>	<u>2,095,765</u>	<u>1,962,688</u>	<u>7,343,480</u>	<u>699,378</u>	<u>37,453,946</u>
Expenditures:						
Current:						
General government	3,574,010	-	13,911	1,139,578	749,809	5,477,308
Public safety	11,308,678	-	65,085	-	-	11,373,763
Public works	4,684,074	-	198,737	-	-	4,882,811
Parks	2,983,542	-	162,487	-	-	3,146,029
Capital outlay:						
General government	27,954	-	176,086	-	-	204,040
Public safety	1,040,378	-	254,590	-	-	1,294,968
Public works	482,937	-	4,587,966	-	-	5,070,903
Parks	134,149	-	1,523,131	-	-	1,657,280
Debt service:						
Bond principal	-	6,830,000	-	-	-	6,830,000
Interest and fiscal charges	-	2,543,639	-	-	-	2,543,639
Total expenditures	<u>24,235,722</u>	<u>9,373,639</u>	<u>6,981,993</u>	<u>1,139,578</u>	<u>749,809</u>	<u>42,480,741</u>
Revenues over (under) expenditures	<u>1,116,913</u>	<u>(7,277,874)</u>	<u>(5,019,305)</u>	<u>6,203,902</u>	<u>(50,431)</u>	<u>(5,026,795)</u>
Other financing sources (uses):						
Transfers in	-	6,860,869	936,500	-	-	7,797,369
Transfers out	(50,000)	-	(112,886)	(6,792,983)	-	(6,955,869)
Sale of capital assets	135,045	-	-	-	-	135,045
Bonds issued	-	9,162,685	6,653,480	-	-	15,816,165
Discount on bonds issued	-	(6,143)	(30,132)	-	-	(36,275)
Refunding bonds issued	-	16,764,721	-	-	-	16,764,721
Payment to refunding escrow	-	(16,635,000)	-	-	-	(16,635,000)
Total other financing sources (uses)	<u>85,045</u>	<u>16,147,132</u>	<u>7,446,962</u>	<u>(6,792,983)</u>	<u>-</u>	<u>16,886,156</u>
Net increase (decrease) in fund balance	<u>1,201,958</u>	<u>8,869,258</u>	<u>2,427,657</u>	<u>(589,081)</u>	<u>(50,431)</u>	<u>11,859,361</u>
Fund balance - January 1	<u>10,616,826</u>	<u>2,145,488</u>	<u>5,541,926</u>	<u>12,429,814</u>	<u>781,458</u>	<u>31,515,512</u>
Fund balance - December 31	<u>\$ 11,818,784</u>	<u>\$ 11,014,746</u>	<u>\$ 7,969,583</u>	<u>\$ 11,840,733</u>	<u>\$ 731,027</u>	<u>\$ 43,374,873</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

Statement 5

Amounts reported for governmental activities in the
statement of activities (page 22-23) are different because:

Net changes in fund balances - total governmental funds (page 26)	\$ 11,859,361
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,093,255
The net effect of disposals of capital assets is to decrease net assets	(75,676)
Revenues in the statement of activities that do not provide current financial resources (property tax and special assessment receivables) are not reported as revenues in the funds.	737,628
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(8,839,331)
Some expenses reported in the statement of activities do not require the use of current financial resources (accrued interest and amortization on debt and compensated absences payable) and, therefore, are not reported as expenditures in governmental funds.	<u>(35,785)</u>
Change in net assets of governmental activities (page 23)	<u><u>\$ 6,739,452</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

Statement 6

	Business-type Activities - Enterprise Funds					Total
	Utilities	Liquor	Aquatic Center	Golf Course	Nonmajor Enterprise Funds	
Assets:						
Current assets:						
Cash and cash equivalents	\$ 4,521	\$ 152,368	\$ 53,665	\$ 8,920	\$ 73,892	\$ 293,366
Investments	4,300,382	-	-	-	4,525,304	8,825,686
Interest receivable	11,864	-	-	-	36,758	48,622
Accounts receivable, net	2,068,478	-	-	1,090	133,933	2,203,501
Special assessments receivable	151,160	-	-	-	-	151,160
Due from other funds	-	780,000	630,000	-	25,000	1,435,000
Due from other governments	3,482	-	-	-	-	3,482
Inventory	24,151	1,055,114	-	14,898	15,828	1,109,991
Total current assets	6,564,038	1,987,482	683,665	24,908	4,810,715	14,070,808
Noncurrent assets:						
Deferred charges	13,305	-	3,322	6,112	3,853	26,592
Net capital assets	35,404,525	1,421,250	2,474,184	6,060,442	4,303,975	49,664,376
Total noncurrent assets	35,417,830	1,421,250	2,477,506	6,066,554	4,307,828	49,690,968
Total assets	41,981,868	3,408,732	3,161,171	6,091,462	9,118,543	63,761,776
Liabilities:						
Current liabilities:						
Accounts payable	241,960	302,398	666	56,247	128,271	729,542
Salaries payable	14,092	17,312	352	16,968	23,245	71,969
Accrued interest payable	58,125	-	26,367	67,227	12,392	164,111
Contracts payable	830	-	-	-	-	830
Due to other funds	280,000	-	-	630,000	25,000	935,000
Due to other governments	1,730	122,393	1,079	5,451	5,703	136,356
Deposits payable	1,972	-	-	9,597	-	11,569
Unearned revenue	-	2,589	-	7,422	52,521	62,532
Compensated absences payable	18,999	16,165	-	22,844	25,709	83,717
Bonds payable - current	665,000	-	105,000	575,000	200,000	1,545,000
Total current liabilities	1,282,708	460,857	133,464	1,390,756	472,841	3,740,626
Noncurrent liabilities:						
Compensated absences payable	170,990	145,485	-	205,599	231,388	753,462
Bonds payable, net of unamortized discounts	3,531,622	-	1,187,375	2,740,686	642,116	8,101,799
Total noncurrent liabilities	3,702,612	145,485	1,187,375	2,946,285	873,504	8,855,261
Total liabilities	4,985,320	606,342	1,320,839	4,337,041	1,346,345	12,595,887
Net assets:						
Invested in capital assets, net of related debt	31,221,208	1,421,250	1,185,131	2,750,868	3,465,712	40,044,169
Unrestricted	5,775,340	1,381,140	655,201	(996,447)	4,306,486	11,121,720
Total net assets	\$ 36,996,548	\$ 2,802,390	\$ 1,840,332	\$ 1,754,421	\$ 7,772,198	\$ 51,165,889

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

Statement 7

	Business-type Activities - Enterprise Funds					Total
	Utilities	Liquor	Aquatic Center	Golf Course	Nonmajor Enterprise Funds	
Operating revenues:						
Sales - liquor	\$ -	\$ 10,752,724	\$ -	\$ -	\$ -	\$ 10,752,724
Sales - retail	-	-	3,857	257,210	71,312	332,379
Sales - utilities	10,008,051	-	-	-	-	10,008,051
Sales - concessions	-	-	115,716	313,743	23,926	453,385
Memberships	-	-	416,166	109,911	82,288	608,365
Admissions	-	-	290,570	275,452	440,358	1,006,380
Building rental	-	-	22,878	76,239	1,371,011	1,470,128
Rental of equipment	-	-	-	368,258	57,893	426,151
Greens fees	-	-	-	1,741,561	180,895	1,922,456
Other fees	217,924	-	193	340,466	1,024,177	1,582,760
Total operating revenues	<u>10,225,975</u>	<u>10,752,724</u>	<u>849,380</u>	<u>3,482,840</u>	<u>3,251,860</u>	<u>28,562,779</u>
Operating expenses:						
Cost of sales and services	30,880	7,918,705	31,591	333,812	37,435	8,352,423
Personal services	1,285,071	1,167,182	277,517	1,679,532	1,749,636	6,158,938
Contractual services	4,576,398	341,203	80,019	482,268	1,172,297	6,652,185
Commodities	618,910	68,328	71,713	348,591	267,462	1,375,004
Central Services	371,590	179,996	24,894	122,489	153,115	852,084
Depreciation	1,224,190	73,899	185,814	468,793	418,460	2,371,156
Total operating expenses	<u>8,107,039</u>	<u>9,749,313</u>	<u>671,548</u>	<u>3,435,485</u>	<u>3,798,405</u>	<u>25,761,790</u>
Operating income (loss)	<u>2,118,936</u>	<u>1,003,411</u>	<u>177,832</u>	<u>47,355</u>	<u>(546,545)</u>	<u>2,800,989</u>
Nonoperating revenues (expenses):						
Intergovernmental	110,683	-	-	-	-	110,683
Investment income	122,510	-	-	-	114,144	236,654
Donations	-	-	-	-	20,725	20,725
Miscellaneous	14,406	-	-	159	-	14,565
Interest and fiscal charges	(141,226)	-	(53,283)	(135,914)	(24,911)	(355,334)
Gain (loss) on sale of capital asset	16,555	-	-	(3,417)	5,983	19,121
Amortization of bond discount	(6,144)	-	(1,105)	(5,491)	(2,246)	(14,986)
Total nonoperating revenues (expenses)	<u>116,784</u>	<u>-</u>	<u>(54,388)</u>	<u>(144,663)</u>	<u>113,695</u>	<u>31,428</u>
Income (loss) before transfers	<u>2,235,720</u>	<u>1,003,411</u>	<u>123,444</u>	<u>(97,308)</u>	<u>(432,850)</u>	<u>2,832,417</u>
Transfers:						
Transfers in	-	-	-	-	186,000	186,000
Transfers out	(100,000)	(927,500)	-	-	-	(1,027,500)
Total transfers	<u>(100,000)</u>	<u>(927,500)</u>	<u>-</u>	<u>-</u>	<u>186,000</u>	<u>(841,500)</u>
Change in net assets	<u>2,135,720</u>	<u>75,911</u>	<u>123,444</u>	<u>(97,308)</u>	<u>(246,850)</u>	<u>1,990,917</u>
Net assets - January 1	<u>34,860,828</u>	<u>2,726,479</u>	<u>1,716,888</u>	<u>1,851,729</u>	<u>8,019,048</u>	<u>49,174,972</u>
Net assets - December 31	<u>\$ 36,996,548</u>	<u>\$ 2,802,390</u>	<u>\$ 1,840,332</u>	<u>\$ 1,754,421</u>	<u>\$ 7,772,198</u>	<u>\$ 51,165,889</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

Statement 8

	Business-type Activities - Enterprise Funds					Total
	Utilities	Liquor	Aquatic Center	Golf Course	Nonmajor Enterprise Funds	
Cash flows from operating activities:						
Receipts from customers and users	\$ 10,468,377	\$ 10,754,166	\$ 849,380	\$ 3,486,818	\$ 3,254,785	\$ 28,813,526
Payment to suppliers	(6,416,336)	(8,440,539)	(236,475)	(1,257,705)	(1,588,920)	(17,939,975)
Payment to employees	(1,269,746)	(1,139,302)	(277,504)	(1,661,067)	(1,722,161)	(6,069,780)
Net cash provided by (used in) operating activities	<u>2,782,295</u>	<u>1,174,325</u>	<u>335,401</u>	<u>568,046</u>	<u>(56,296)</u>	<u>4,803,771</u>
Cash flows from noncapital financing activities:						
State grant	110,683	-	-	-	-	110,683
Miscellaneous revenue	14,406	-	-	159	-	14,565
Transfer (to) from Enterprise Funds	-	(141,000)	-	-	141,000	-
Transfer (to) from Capital Project Funds	(100,000)	(786,500)	-	-	45,000	(841,500)
Net interfund borrowing	1,395,000	(100,000)	14,477	259,214	-	1,568,691
Donations	-	-	-	-	20,725	20,725
Net cash provided by (used in) noncapital financing activities	<u>1,420,089</u>	<u>(1,027,500)</u>	<u>14,477</u>	<u>259,373</u>	<u>206,725</u>	<u>873,164</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(3,317,353)	-	(146,382)	(117,574)	(121,993)	(3,703,302)
Sale of capital assets	16,555	-	-	5,050	5,983	27,588
Principal paid on bonds	(645,000)	-	(95,000)	(560,000)	(195,000)	(1,495,000)
Interest paid on bonds	(148,283)	-	(54,831)	(145,975)	(26,815)	(375,904)
Net cash provided by (used in) capital and related financing activities	<u>(4,094,081)</u>	<u>-</u>	<u>(296,213)</u>	<u>(818,499)</u>	<u>(337,825)</u>	<u>(5,546,618)</u>
Cash flows from investing activities:						
Net changes in investments	(221,508)	-	-	-	133,086	(88,422)
Investment income	115,733	-	-	-	116,915	232,648
Net cash flows provided by (used in) investing activities	<u>(105,775)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,001</u>	<u>144,226</u>
Net increase (decrease) in cash and cash equivalents	2,528	146,825	53,665	8,920	62,605	274,543
Cash and cash equivalents - January 1	<u>1,993</u>	<u>5,543</u>	<u>-</u>	<u>-</u>	<u>11,287</u>	<u>18,823</u>
Cash and cash equivalents - December 31	<u>\$ 4,521</u>	<u>\$ 152,368</u>	<u>\$ 53,665</u>	<u>\$ 8,920</u>	<u>\$ 73,892</u>	<u>\$ 293,366</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

Statement 8

	Business-type Activities - Enterprise Funds					Total
	Utilities	Liquor	Aquatic Center	Golf Course	Nonmajor Enterprise Funds	
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,118,936	\$ 1,003,411	\$ 177,832	\$ 47,355	\$ (546,545)	\$ 2,800,989
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities:						
Depreciation	1,224,190	73,899	185,814	468,793	418,460	2,371,156
Changes in assets and liabilities:						
Decrease (increase) in receivables	225,532	1,710	-	(1,010)	2,204	228,436
Decrease (increase) in special assessments	12,638	-	-	-	-	12,638
Decrease (increase) in due from other governments	4,232	-	-	-	-	4,232
Decrease (increase) in inventory	(8,645)	45,839	-	619	1,140	38,953
Increase (decrease) in accounts payable	(622,008)	9,423	(24,734)	25,309	46,281	(565,729)
Increase (decrease) in salaries payable	1,851	2,548	13	3,638	5,925	13,975
Increase (decrease) in contracts payable	(189,130)	-	(4,542)	-	(5,732)	(199,404)
Increase (decrease) in due to other governments	(747)	12,431	1,018	179	(300)	12,581
Increase (decrease) in deposits	1,972	-	-	3,348	-	5,320
Increase (decrease) in unearned revenue	-	(268)	-	4,988	721	5,441
Increase (decrease) in compensated absences	13,474	25,332	-	14,827	21,550	75,183
Total adjustments	663,359	170,914	157,569	520,691	490,249	2,002,782
Net cash provided by (used in) operating activities	\$ 2,782,295	\$ 1,174,325	\$ 335,401	\$ 568,046	\$ (56,296)	\$ 4,803,771
Noncash investing, capital and financing activities:						
Increase (decrease) in fair value of investments	\$ 6,922	\$ -	\$ -	\$ -	\$ (68,856)	\$ (61,934)

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
December 31, 2005

Statement 9

	<u>Agency Funds</u>
Assets	
Cash	\$ 539,727
Investments	<u>135,000</u>
Total assets	<u><u>\$ 674,727</u></u>
Liabilities	
Accounts payable	\$ 81,643
Salaries payable	951
Due to other governmental units	<u>592,133</u>
Total liabilities	<u><u>\$ 674,727</u></u>

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Edina (the City) was incorporated in 1888 and operates under the State of Minnesota Statutory Plan B form of government. The governing body consists of a five-member City Council elected by voters of the City.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" the City's financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government is financially accountable for the component unit if it appoints a voting majority of the component unit's governing body and is able to impose its will on the component unit or there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Edina (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

COMPONENT UNITS

In conformity with generally accepted accounting principles, the financial statements of the component unit have been included in the financial reporting entity as a blended component unit.

The Housing and Redevelopment Authority (HRA) is an entity legally separate from the City. However, for financial reporting purposes, the HRA is reported as if it were part of the City's operations because the members of the City Council serve as HRA board members and its activity is confined to the City of Edina. The activity of the HRA is reported in the Capital Projects Funds. Separate financial statements are not prepared for the HRA.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental and enterprise funds is reported in a single column in the fund financial statements

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the payment of principal and interest on the General Obligation Redevelopment, General Obligation Park Improvements and Tax Increment Bonds.

The capital projects *construction fund* accounts for the various special assessment and state aid projects throughout the City. This fund also provides financing for capital improvements as designated in the City's capital improvement budget.

The capital projects *Housing and Redevelopment Authority fund* is used to account for revenues from several sources (property taxes, bond proceeds, investment earnings, etc.) that are designated for housing and redevelopment.

The City reports the following major proprietary funds:

The *utility fund* accounts for the provision of water, sewer and recycling services to the City's residents.

The *liquor fund* accounts for the operation of the City's three liquor stores.

The *aquatic center fund* accounts for the operation of the City's aquatic center.

The *golf course fund* accounts for the operation of the City's three golf courses and a golf dome.

Additionally, the City reports the following fund type:

Agency - the *police seizure and Public Safety Training Facility funds* account for fees collected for other government agencies and the *payroll fund* accounts for payroll deductions withheld from employee paychecks but not yet sent to the appropriate party (includes federal and state taxes, health care deductions, etc).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City of Edina. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities, liquor, aquatic center, golf course, arena, art center and Edinborough Park/Centennial Lake enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for an allowable use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. CASH AND INVESTMENTS

The City's cash and cash equivalents are considered to be deposits and cash on hand.

Cash balances from all funds are pooled together and invested to the maximum extent at favorable rates. This also allows certain funds to generate a temporary cash overdraft. Interest earned is allocated as determined by the Investment Advisory Committee. The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

The City reports its investments at fair value based on quoted market prices. Changes in fair value of securities in the City's investment portfolio are recorded as a net change in fair value of investments in the City's fund financial statements and within general revenues in the government-wide financial statements. Restricted investments include investments held in escrow for two crossover refundings further described in footnote 4.

E. RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “due to/from other funds.” All short-term interfund receivables and payables at December 31, 2005 are planned to be eliminated in 2006. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes and special assessments receivables have been reported net of estimated uncollectible accounts. Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

F. REVENUE RECOGNITION

1. PROPERTY TAX REVENUE RECOGNITION

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at the year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January are fully offset by deferred revenue because they are not available to finance current expenditures.

2. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by deferred revenues.

G. INVENTORIES, PREPAID ITEMS AND DEFERRED CHARGES

Inventories of the Proprietary Funds are stated at cost and are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Deferred charges represent deferred issuance costs.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and parks, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are also reported in the proprietary fund financial statements but not in the governmental fund financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Life</u>
Golf course	10 - 35 years
Land improvements	20 – 50 years
Buildings and structures	20 - 40 years
Furniture and office equipment	5 - 10 years
Vehicles and equipment	3 - 20 years
Parks	5 - 100 years
Distribution system	50 years
Collection system	10 - 50 years
Storm sewers	50 years
Wells	7 - 30 years

I. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is vested as severance pay. According to City policy, vested sick leave benefits are liquidated into a health care savings plan upon separation.

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued plus any premium received is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

M. NET ASSETS

Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund financial statements. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

N. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

O. JOINT VENTURES

The City's investment in joint venture is reported in the statement of net assets as governmental activities capital assets and is equal to the City's interest in the net assets of the joint venture. The City's interest is based on the allocation in the joint powers agreement.

P. FUND CONSOLIDATION

During 2005 the City consolidated the construction and revolving funds reported in the prior year's CAFR into the construction fund displayed in the current report in order to more accurately reflect the similar nature of these funds. Accordingly, the beginning fund balance shown on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds for the construction fund is equal to the combined ending balances of the construction and revolving funds from the same statement in the 2004 CAFR.

Q. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ 58,690,000
Plus: issuance premium	77,003
Less: issuance discount	(319,593)
Less: deferred charge for issuance costs	(327,359)
Accrued interest payable	953,738
Compensated absences	<u>2,953,300</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 62,027,089</u>

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 7,103,797
Depreciation expense	<u>(4,010,542)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental funds	<u>\$ 3,093,255</u>

Another element of that reconciliation states that “The net effect of disposals of capital assets is to decrease net assets.” The details of this difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold	\$ (139,350)
The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on a disposal of capital assets	<u>63,674</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental funds	<u>\$ (75,676)</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt issued:	
Bonds issued	\$ (15,816,165)
Less issuance costs	155,705
Less discounts	36,275
Refunding bonds issued	(16,764,721)
Less issuance costs	84,575
Principal repayments:	
General obligation debt	6,830,000
Payment to escrow agent for refunding:	
Principal refunding	<u>16,635,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (8,839,331)</u></u>

Note 2 CASH AND INVESTMENTS

A. COMPONENTS OF CASH AND INVESTMENTS

Cash and investments at year-end consist of the following:

Deposits	\$ 868,147
Cash on hand	16,185
Investments	45,582,152
Investments held by trustee	9,049,242
	<u><u>\$ 55,515,726</u></u>

Cash and investments are presented in the financial statements as follows:

Cash and cash equivalents - Statement of Net Assets	\$ 344,605
Investments - Statement of Net Assets	45,447,152
Restricted investments - Statement of Net Assets	9,049,242
Cash and investments - Statement of Fiduciary Net Assets	674,727
	<u><u>\$ 55,515,726</u></u>

B. DEPOSITS

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts, savings accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City's investment policy does not contain further restrictions on the types of investments the City may invest in.

At year-end, the carrying amount of the City's deposits was \$868,147 while the balance on the bank records was \$1,433,756. At December 31, 2005, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City's agent in the City's name.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

C. INVESTMENTS

The City has the following investments at year end:

Investment	Credit Risk		Interest Risk - Maturity Duration in Years				Total
	Rating	Agency	< 1	1 to 5	5 to 10	10 +	
U.S. Treasuries	N/A	N/A	\$ 9,083,966	\$ 256,939	\$ 518,681	\$ 638,331	\$10,497,917
SBA Pools	N/R	N/A	-	-	-	893,367	893,367
U.S. Agencies	AAA/Aaa	S&P/Mdy's	644,478	3,905,368	218,355	3,646,132	8,414,333
U.S. Agencies	AA-/Aa2	S&P/Mdy's	-	-	74,646	-	74,646
Municipals	MIG1	Mdy's	10,037	-	-	-	10,037
Municipals	AA-/Aa3	S&P/Mdy's	-	93,705	67,795	-	161,500
Commercial Paper	A1/P1	S&P/Mdy's	25,293,078	-	-	-	25,293,078
Negotiable CD's	N/R	N/A	662,544	-	-	-	662,544
Interfund Debt	N/R	N/A	-	-	1,400,000	-	1,400,000
			<u>\$35,694,103</u>	<u>\$ 4,256,012</u>	<u>\$ 2,279,477</u>	<u>\$ 5,177,830</u>	<u>\$47,407,422</u>
Money Market*	N/R	N/A					7,223,972
Total investments							<u>\$54,631,394</u>

N/A - Not Applicable

N/R - Not Rated

* - The City's money market investments don't have maturities

Investments are subject to various risks, the following of which are considered the most significant:

Custodial credit risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy doesn't specifically address this risk, but the City typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City’s investment policies do not further address credit risk.

Concentration risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as Treasuries), investment pools, and mutual funds. The City’s investment policies do not limit the concentration of investments. At year-end, the City’s investments include 8.5%, 8.2%, 7.3%, and 5.5% in securities issued by FNMA, General Electric, Rhineland Funding, and Lockhart Funding, respectively.

Interest rate risk – This is the risk of potential variability in the fair value of fixed rate investment resulting in changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policy does not limit the duration of investments.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,854,384	\$ -	\$ -	\$ 12,854,384
Investment in joint venture	1,452,465	-	-	1,452,465
Construction in progress	14,451,474	6,614,887	(15,670,427)	5,395,934
Total capital assets not being depreciated	28,758,323	6,614,887	(15,670,427)	19,702,783
Capital assets being depreciated:				
Land improvements	28,849,248	-	(7,132,186)	21,717,062
Buildings and structures	28,478,580	1,934,848	-	30,413,428
Furniture and office equipment	4,417,879	18,814	(1,857,442)	2,579,251
Vehicles and equipment	10,522,317	5,372,045	(3,357,509)	12,536,853
Infrastructure	-	20,316,987	-	20,316,987
Parks	10,778,675	609,148	(432,402)	10,955,421
Total capital assets being depreciated	83,046,699	28,251,842	(12,779,539)	98,519,002
Less accumulated depreciation for:				
Land improvements	(10,905,219)	(838,509)	2,636,112	(9,107,616)
Buildings and structures	(6,741,761)	(846,736)	-	(7,588,497)
Furniture and office equipment	(592,786)	(205,788)	24,381	(774,193)
Vehicles and equipment	(5,191,764)	(982,948)	692,104	(5,482,608)
Infrastructure	-	(3,561,501)	-	(3,561,501)
Parks	(4,696,834)	(381,480)	65,181	(5,013,133)
Total accumulated depreciation	(28,128,364)	(6,816,962)	3,417,778	(31,527,548)
Total capital assets being depreciated, net	54,918,335	21,434,880	(9,361,761)	66,991,454
Governmental activities capital assets, net	\$ 83,676,658	\$ 28,049,767	\$(25,032,188)	\$ 86,694,237

Certain capital assets were reclassified to different categories during the year, and these reclassifications are reflected in the "Increases" and "Decreases" columns above.

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* permits a phase-in period for reporting major infrastructure assets retroactively through the City’s fiscal year ending December 31, 2006. The costs of certain infrastructure asset networks incurred prior to January 1, 2002, primarily streets, sidewalks, traffic signals and street lighting systems have not been capitalized. Estimated historical cost data for these networks has not yet been compiled; when this process has been finalized, the City will capitalize retroactively those costs associated with each network categorized as major, before the end of the phase-in period.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,088,965	\$ -	\$ -	\$ 1,088,965
Construction in progress	5,594,422	2,983,944	(5,944,801)	2,633,565
Total capital assets not being depreciated	<u>6,683,387</u>	<u>2,983,944</u>	<u>(5,944,801)</u>	<u>3,722,530</u>
Capital assets being depreciated:				
Golf course	4,615,307	-	-	4,615,307
Land improvements	3,285,547	34,950	-	3,320,497
Buildings and structures	15,595,881	166,327	-	15,762,208
Furniture and office equipment	149,436	-	-	149,436
Vehicles and equipment	4,668,427	277,741	(124,084)	4,822,084
Distribution and collection system	32,915,025	5,024,893	-	37,939,918
Storm sewers	12,996,663	866,673	-	13,863,336
Wells	2,379,175	293,575	-	2,672,750
Lease property capital lease	468,580	-	-	468,580
Total capital assets being depreciated	<u>77,074,041</u>	<u>6,664,159</u>	<u>(124,084)</u>	<u>83,614,116</u>
Less accumulated depreciation for:				
Golf course	(1,552,024)	(152,310)	-	(1,704,334)
Land improvements	(1,605,081)	(161,627)	-	(1,766,708)
Buildings and structures	(7,389,050)	(625,170)	-	(8,014,220)
Furniture and office equipment	(64,588)	(21,415)	-	(86,003)
Vehicles and equipment	(2,367,705)	(336,688)	115,616	(2,588,777)
Distribution and collection system	(15,429,330)	(716,744)	-	(16,146,074)
Storm sewers	(5,468,514)	(274,659)	-	(5,743,173)
Wells	(1,071,858)	(82,543)	-	(1,154,401)
Lease property capital lease	(468,580)	-	-	(468,580)
Total accumulated depreciation	<u>(35,416,730)</u>	<u>(2,371,156)</u>	<u>115,616</u>	<u>(37,672,270)</u>
Total capital assets being depreciated, net	<u>41,657,311</u>	<u>4,293,003</u>	<u>(8,468)</u>	<u>45,941,846</u>
Business-type activities capital assets, net	<u>\$ 48,340,698</u>	<u>\$ 7,276,947</u>	<u>\$ (5,953,269)</u>	<u>\$ 49,664,376</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 494,547
Public safety	484,797
Public works	1,529,836
Parks	1,501,362
Total depreciation expense - governmental activities	<u>\$ 4,010,542</u>
Business-type activities:	
Utilities	\$ 1,224,190
Liquor	73,899
Aquatic Center	185,814
Golf Course	468,793
Arena	303,544
Art Center	28,669
Edinborough Park/Centennial Lakes	86,247
Total depreciation expense - business-type activities	<u>\$ 2,371,156</u>

CONSTRUCTION COMMITMENTS

At December 31, 2005, the City had construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

Project #	Project Description	Contract Amount	Remaining Commitment
N/A	Gymnasiums	\$ 3,453,834	\$ 2,279,548
05-5 Eng	Street/Sidewalk Reconstruction	977,651	39,074
05-6 Eng	Street/Sidewalk Reconstruction	48,706	6,485
05-7 Eng	Street/Sidewalk Reconstruction	290,795	23,664
05-8 Eng	Street/Sidewalk Reconstruction	438,480	65,964
05-10 Eng	Street/Sidewalk Reconstruction	168,719	8,182
05-3 PW	Watermain	98,850	82,250
			<u>\$ 2,505,167</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 4 LONG-TERM DEBT

The City has four types of bonded debt outstanding at December 31, 2005: tax increment bonds, general obligation bonds, public project revenue bonds and G.O. revenue bonds. The first type of bond is payable solely from tax increment monies with any deficiency to be provided for by general property taxes. The second type is payable from general property taxes or special assessments. The third type is payable solely from annual appropriation lease payments received from the City of Edina pursuant to a lease between the Edina Housing and Redevelopment Authority and the City. The fourth type is payable primarily from enterprise revenue with any deficiency to be provided for by general property taxes. The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

As of December 31, 2005, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Payable 12/31/2005
Tax Increment Bonds:					
Tax Increment Bonds, Series 1997B	4.50-5.20	4/1/1997	2/1/2013	\$ 5,090,000	\$ 3,865,000
Tax Increment Bonds, Series 2000A	4.30-4.80	9/6/2000	2/1/2011	2,620,000	1,720,000
Tax Increment Bonds, Series 2002B	3.00%	8/5/2002	2/1/2009	1,400,000	1,400,000
Tax Increment Taxable Refunding Bonds of 2003B	1.128-1.749	3/1/2003	2/1/2006	6,570,000	1,675,000
Tax Increment Refunding Bonds, Series 2005B	3.00%	7/19/2005	2/1/2009	10,520,000	10,520,000
Tax Increment Taxable Refunding Bonds, Series 2005C	3.75-4.25	7/19/2005	2/1/2009	6,220,000	6,220,000
Tax Increment Refunding Bonds, Series 2005D	3.00-3.40	7/19/2005	2/1/2013	3,505,000	3,505,000
Total Tax Increment Bonds				<u>35,925,000</u>	<u>28,905,000</u>
General Obligation Bonds:					
General Obligation - Park & Recreation, Series 1996B	4.25-5.75	8/1/1996	2/1/2017	8,090,000	5,950,000
General Obligation Equipment Certificates, Series 2003A	1.05-2.04	3/1/2003	2/1/2008	1,540,000	440,000
General Obligation - Park & Recreation Refunding, 2005A	3.50-4.00	7/19/2005	2/1/2017	5,375,000	5,375,000
General Obligation - Permanent Improvement Revolving, 2005E	3.00-3.75	9/13/2005	2/1/2016	1,460,000	1,460,000
Total General Obligation Bonds				<u>16,465,000</u>	<u>13,225,000</u>
Public Project Revenue Bonds:					
Public Project Revenue, Series 2002	4.00-5.25	1/1/2002	2/1/2021	12,410,000	11,135,000
Public Project Revenue, Series 2005	3.50-4.13	9/13/2005	5/1/2026	5,425,000	5,425,000
Total Public Project Revenue Bonds				<u>17,835,000</u>	<u>16,560,000</u>
Total bonded indebtedness - governmental activities				<u>\$ 70,225,000</u>	<u>\$ 58,690,000</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

BUSINESS-TYPE ACTIVITIES

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Payable 12/31/2005
Revenue Bonds:					
Recreational Facility Bonds, Series 1999B	3.70-4.45	5/3/1999	1/1/2013	\$ 3,270,000	\$ 2,530,000
Recreational Facility Bonds, Series 2001A	2.25-4.65	11/1/2001	1/1/2017	4,620,000	2,945,000
Utility Revenue Bonds, Series 1999A	3.20-4.20	5/3/1999	2/1/2009	3,600,000	1,590,000
Utility Revenue Bonds, Series 2003C	1.10-3.55	3/1/2003	2/1/2013	3,200,000	2,625,000
Total bonded indebtedness - business-type activities				<u>\$ 14,690,000</u>	<u>\$ 9,690,000</u>

Annual debt service requirements to maturity for the City's bonds are as follows:

Year Ending December 31	Governmental Activities					
	Tax Increment Bonds		General Obligation Bonds		Public Project Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 8,445,000	\$ 902,607	\$ 6,095,000	\$ 421,673	\$ 480,000	\$ 779,778
2007	4,795,000	625,606	705,000	243,881	690,000	725,855
2008	5,650,000	445,694	725,000	221,556	715,000	696,118
2009	5,890,000	244,236	585,000	200,031	745,000	665,193
2010	805,000	125,820	605,000	179,581	780,000	632,880
2011-2015	3,320,000	152,154	3,235,000	562,935	4,440,000	2,595,635
2016-2020	-	-	1,275,000	48,331	5,610,000	1,402,028
2021-2025	-	-	-	-	2,705,000	290,457
2026	-	-	-	-	395,000	8,147
Total	<u>\$ 28,905,000</u>	<u>\$ 2,496,117</u>	<u>\$ 13,225,000</u>	<u>\$ 1,877,988</u>	<u>\$ 16,560,000</u>	<u>\$ 7,796,091</u>

Year Ending December 31	Business-type Activities Revenue Bonds	
	Principal	Interest
2006	\$ 1,545,000	\$ 328,868
2007	1,595,000	276,999
2008	1,560,000	221,821
2009	1,600,000	163,543
2010	715,000	120,095
2011-2015	2,500,000	209,848
2016-2020	175,000	8,212
Total	<u>\$ 9,690,000</u>	<u>\$ 1,329,386</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Tax increment	\$ 30,760,000	\$ 20,245,000	\$(22,100,000)	\$ 28,905,000	\$ 8,445,000
General obligation	7,295,000	6,835,000	(905,000)	13,225,000	6,095,000
Public project revenue	11,595,000	5,425,000	(460,000)	16,560,000	480,000
Less deferred amounts:					
Discount on bonds	(324,906)	(36,275)	41,588	(319,593)	-
Premiums	30,780	75,886	(29,663)	77,003	-
Total bonds payable	49,355,874	32,544,611	(23,453,075)	58,447,410	15,020,000
Compensated absences	2,953,776	1,296,212	(1,296,688)	2,953,300	295,330
Governmental activity					
Long-term liabilities	<u>\$ 52,309,650</u>	<u>\$ 33,840,823</u>	<u>\$(24,749,763)</u>	<u>\$ 61,400,710</u>	<u>\$ 15,315,330</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 11,185,000	\$ -	\$ (1,495,000)	\$ 9,690,000	\$ 1,545,000
Less deferred amounts:					
Discount on bonds	(52,612)	-	9,411	(43,201)	-
Total bonds payable	11,132,388	-	(1,485,589)	9,646,799	1,545,000
Compensated absences	761,997	312,800	(237,618)	837,179	83,717
Business-type activity					
Long-term liabilities	<u>\$ 11,894,385</u>	<u>\$ 312,800</u>	<u>\$ (1,723,207)</u>	<u>\$ 10,483,978</u>	<u>\$ 1,628,717</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

The City issued \$5,375,000 of General Obligation Park & Recreation Refunding Bonds, Series 2005A to provide resources for a “crossover refunding” of the 2007 through 2017 maturities of the \$5,575,000 General Obligation Park & Recreation Bonds, Series 1996B. The proceeds of the 2005 issue have been placed in an escrow account pending the February 1, 2006 call date of the refunded issue. The crossover refunding includes \$199,747 of City funds in addition to the refunding bond proceeds. This crossover refunding was undertaken to reduce total debt service payments by \$957,250 and resulted in an economic gain of \$565,887.

The City also issued \$10,520,000 of General Obligation Tax Increment Refunding Bonds, Series 2005B for a current refunding of \$10,460,000 General Obligation Tax Increment Refunding Bonds, Series 2000C. The reacquisition price exceeded the net carrying amount of the old debt by \$77,779. This amount is being netted against the new debt and amortized over the new debt’s life, which is the same as the refunded debt. The transaction was undertaken to reduce total debt service payments by \$305,894 and resulted in an economic gain of \$291,987.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

The City also issued \$6,220,000 of General Obligation Taxable Tax Increment Refunding Bonds, Series 2005C for a current refunding of \$6,175,000 General Obligation Taxable Tax Increment Refunding Bonds, Series 1996A. The reacquisition price exceeded the net carrying amount of the old debt by \$45,022. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the refunded debt. The transaction was undertaken to reduce total debt service payments by \$224,488 and resulted in an economic gain of \$209,067.

The City also issued \$3,505,000 of General Obligation Tax Increment Refunding Bonds, Series 2005D to provide resources for a "crossover refunding" of the 2007 through 2013 maturities of the \$3,460,000 General Obligation Tax Increment Bonds, Series 1997B. The proceeds of the 2005 issue have been placed in an escrow account pending the February 1, 2006 call date of the refunded issue. This crossover refunding was undertaken to reduce total debt service payments by \$263,373 and resulted in an economic gain of \$229,532.

The City also issued \$1,460,000 of General Obligation Permanent Improvement Revolving Bonds, Series 2005E to provide financing for infrastructure improvements. The City anticipates that special assessments to benefited properties will be sufficient to pay future debt service on this issue.

The City of Edina Housing and Redevelopment Authority (HRA) issued \$5,425,000 of Public Project Revenue Bonds to provide funds for acquisition, construction and furnishing of two gymnasiums in Edina.

Note 5 LEGAL DEBT MARGIN

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. The City of Edina's legal debt margin for 2005 is computed as follows:

	<u>December 31, 2005</u>
Market Value (after fiscal disparities)	<u>\$ 8,693,345,900</u>
Debt Limit (2% of Market Value)	<u>\$ 173,866,918</u>
Amount of debt applicable to debt limit:	
Total bonded debt	\$ 68,380,000
Less:	
Tax increment bonds	(28,905,000)
Public project revenue bonds	(16,560,000)
Revenue bonds	(9,690,000)
Cash and investments in related Debt Service Funds	<u>(1,631,162)</u>
Total debt applicable to debt limit	<u>\$ 11,593,838</u>
Legal debt margin	<u>\$ 162,273,080</u>

Note 6 DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

All full-time and certain part-time employees of the City of Edina are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statute*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all PEPFF and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.10%, respectively, of their covered salary in 2005. Contribution rates in the Coordinated Plan will increase in 2006 to 5.5%. PEPFF members were required to contribute 6.20% of their covered salary in 2005. That rate will increase to 7.0% in 2006. The City of Edina is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 5.53% for Coordinated Plan PERF members, and 9.30% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.0% and 10.5% respectively, effective January 1, 2006. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2005, 2004 and 2003 were \$619,212, \$614,321 and \$569,890, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2005, 2004 and 2003 were \$539,000, \$537,552 and \$486,690, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

C. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) - DEFINED CONTRIBUTION

PLAN DESCRIPTION

Three council members of the City of Edina are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and four-tenths of one percent of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2005 were:

	Amount		% of Covered Payroll		Required Rates
	Employees	Employer	Employees	Employer	
PEDCP	\$ 859	\$ 859	5.00%	5.00%	5.00%

Note 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of internal balances as of December 31, 2005, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 3,000
	Construction	1,800,000
Debt Service	General	200,000
Housing & Redevelopment Authority	General	435
Liquor	Construction	500,000
	Utilities	280,000
Aquatic Center	Golf Course	630,000
Communication	Community Development Block Grant	11,000
Arena	Edinborough Park/Centennial Lakes	25,000
Total		<u>\$ 3,449,435</u>

The City's interfund receivables and payables eliminate what would have been negative cash balances.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

	Transfer In:			
	Debt Service	Construction	Nonmajor Business-type	Total
Transfer out:				
General Fund	\$ -	\$ 50,000	\$ -	\$ 50,000
Construction Fund	67,886	-	45,000	112,886
HRA Fund	6,792,983	-	-	6,792,983
Utilities Fund	-	100,000	-	100,000
Liquor Fund	-	786,500	141,000	927,500
	<u>\$ 6,860,869</u>	<u>\$ 936,500</u>	<u>\$ 186,000</u>	<u>\$ 7,983,369</u>

Interfund transfers allow the City to allocate financial resources to the funds that receive benefit from services provided by another fund. Many of the City's interfund transfers fall under that category. Non-routine transfers include the following:

1. The liquor fund transferred \$786,500 to the construction fund to fund ongoing capital improvement needs, as well as \$80,000 and \$61,000 to the arena and art center funds, respectively, to subsidize operations.
2. The general fund transferred \$50,000 to the construction fund to fund the capital improvement program.

Note 8 TAX INCREMENT DISTRICTS

The City of Edina is the administering authority for the following Tax Increment Districts:

District number 1200 (50th and France Commercial Area) is a redevelopment district established in 1974 pursuant to Minnesota Statutes with a termination date of 2009.

District number 1201 (Southeast Edina Redevelopment District – Edinborough) is a redevelopment district established in 1977 pursuant to Minnesota Statutes with a termination date of 2009.

District number 1202 (Grandview Commercial Area) is a redevelopment district established in 1984 pursuant to Minnesota Statutes with a termination date of 2010.

District number 1203 (Southeast Edina Redevelopment District – Centennial Lakes) is a redevelopment district established in 1988 pursuant to Minnesota Statutes with a termination date of 2016.

District number 1207 (70th and Cahill Economic Development District) is an economic district established in 1990 pursuant to Minnesota Statutes with a decertification date of 2000. Increment previously collected is available for expenditures within the larger development district that includes the Wooddale – Valley View commercial area. Tax capacity and debt for this district is not included in the following schedule as county reports no longer indicate captured tax capacity for this district and no debt is outstanding.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

The following table reflects values as of December 31, 2005:

	TIF #1200	TIF #1201	TIF #1202	TIF #1203	Total
Original tax capacity	\$ 112,826	\$ 94,319	\$ 164,885	\$ 229,691	\$ 601,721
Current tax capacity	1,011,121	2,884,000	1,233,622	2,803,804	7,932,547
Tax capacity change	898,295	2,789,681	1,068,737	2,574,113	7,330,826
Captured tax capacity value:					
Retained captured tax capacity	<u>\$ 898,295</u>	<u>\$ 2,789,681</u>	<u>\$ 1,068,737</u>	<u>\$ 2,574,113</u>	<u>\$ 7,330,826</u>
Total bonds issued					
(general obligation) *	\$ 5,360,000	\$ 22,445,000	\$ 9,637,555	\$ 39,354,724	\$ 76,797,279
Amounts redeemed	<u>5,360,000</u>	<u>20,770,000</u>	<u>6,517,555</u>	<u>15,244,724</u>	<u>47,892,279</u>
Outstanding bonds at					
December 31, 2005	<u>\$ -</u>	<u>\$ 1,675,000</u>	<u>\$ 3,120,000</u>	<u>\$ 24,110,000</u>	<u>\$ 28,905,000</u>

* - Amount for district #1203 includes \$3,460,000 refunding that will be paid from escrow on February 1, 2006.

Note 9 CONTINGENCIES

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Worker's compensation insurance is provided through the League of Minnesota Cities Insurance Trust (LMCIT). The City has a \$10,000 deductible per occurrence, with a \$500,000 annual maximum.

Automobile and general liability coverage is provided through an insurance company. The City pays an annual premium for this coverage and all claims are paid from the plan up to the annual maximum of \$600,000. The City is not subject to a deductible for automobile or general liability coverage.

Property coverage is also provided by an insurance company. The City pays an annual premium for this coverage, and all claims are paid for by the plan. The City has \$2,500 - \$25,000 deductibles per occurrence depending on claim type, with an annual maximum of \$83,446,936.

Police professional insurance coverage is provided by an insurance company. The City pays an annual premium for this coverage, and has a \$10,000 deductible per occurrence, with a \$500,000 annual maximum.

The City has designated \$1,025,765 in the general fund to finance potential uninsured loss. Settlement claims have not exceeded insurance coverage for each of the past three years.

There were not significant reductions in insurance coverage during 2005.

B. LITIGATION

The City attorney has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City attorney, remotely recoverable by plaintiffs.

C. FEDERAL AND STATE FUNDS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2005.

D. TAX INCREMENT DISTRICTS

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management is not aware of any instances of noncompliance which would have a material effect on the financial statements.

Note 10 CONDUIT DEBT OBLIGATION

As of December 31, 2005, the City of Edina had 3 series of Housing and Health Care Revenue Bonds, with an aggregate principal amount payable of \$30,030,000. The bonds are payable solely from revenues of the respective organizations and do not constitute an indebtedness of the City, and are not a charge against its general credit or taxing power. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Note 11 JOINT VENTURE

The City is a participant with the City of Bloomington, the City of Eden Prairie and the Metropolitan Airport Commission in a joint venture to construct and operate a facility to be used for the training of law enforcement officers and firefighters. The South Metro Public Safety Training Facility Association (PSTF) is governed by a Board consisting of one representative from each Member. On dissolution of the Association, the Facility shall revert to the City of Edina, and all remaining assets shall be divided among the members based on the Cost Sharing Formula. In accordance with the joint venture agreement, each member of the association will share in the cost of the construction and operation based on the Cost Sharing Formula. The City's net investment is reported in the governmental activities capital assets. The City's equity interest in the PSTF was \$1,452,465. Complete financial statements for PSTF can be obtained from the City of Edina, 4801 West 50th Street, Edina, MN 55424.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 12 DESIGNATIONS AND RESERVATIONS OF FUND BALANCE

At December 31, 2005 the City had designated and reserved portions of its various fund balances through legal restriction and City Council authorization. A summary of such designations is as follows:

	<u>December 31, 2005</u>
General Fund:	
Reserved for prepaid items	\$ 223,351
Designated for parkland dedication	104,118
Designated for unrealized investment gains/losses	37,983
Designated for equipment and other commitments	2,847,475
Designated for insurance and severance	1,025,765
Designated for cash flow	7,580,092
Debt Service Fund:	
Reserved for debt service	11,014,746
Construction Fund:	
Reserved for encumbrances	2,422,917
Reserved for special projects	354,649
Designated for capital improvements	5,192,017
	<u>\$ 30,803,113</u>

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2005

Statement 10

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues:				
General property taxes:				
Current	\$ 17,143,594	\$ 17,143,594	\$ 17,178,755	\$ 35,161
Penalties and interest	15,000	15,000	12,388	(2,612)
Total general property taxes	17,158,594	17,158,594	17,191,143	32,549
Licenses and permits:	2,025,193	2,025,193	3,240,622	1,215,429
Intergovernmental:				
Federal:	51,400	51,400	353,128	301,728
State:				
Municipal state aid	195,000	195,000	195,000	-
Other	56,634	56,634	123,432	66,798
State aid - police	310,000	310,000	354,587	44,587
Health programs	120,000	120,000	121,198	1,198
Total intergovernmental	733,034	733,034	1,147,345	414,311
Charges for services:				
Building Department	1,800	1,800	6,365	4,565
City Clerk	-	-	12,361	12,361
Fire Department	35,600	35,600	29,373	(6,227)
Ambulance fees	1,081,500	1,081,500	1,372,705	291,205
Police Department	224,300	224,300	235,486	11,186
Engineering	121,800	121,800	161,172	39,372
Health Department	6,300	6,300	8,974	2,674
Planning Department	27,000	27,000	28,342	1,342
Housing Foundation Contract	31,100	31,100	11,264	(19,836)
HRA Services	20,000	20,000	24,166	4,166
Assessing Searches	-	-	20	20
Park Registration	77,250	77,250	88,904	11,654
Senior Center	103,169	103,169	99,955	(3,214)
Other fees	6,500	6,500	5,063	(1,437)
50th & France Assessment	68,000	68,000	68,000	-
Charges to other funds	263,616	263,616	263,616	-
Total charges for services	2,067,935	2,067,935	2,415,766	347,831
Fines and forfeits	900,000	900,000	742,917	(157,083)
Miscellaneous:				
Rental of property	280,000	280,000	283,595	3,595
Investment income	110,000	110,000	181,784	71,784
Donations	-	-	116,747	116,747
Other	5,000	5,000	32,716	27,716
Total miscellaneous	395,000	395,000	614,842	219,842
Total revenues	23,279,756	23,279,756	25,352,635	2,072,879

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
For The Year Ended December 31, 2005

Statement 10

	Budgeted Amounts		2005	Variance with
	Original	Final	Actual	Final Budget -
			Amounts	Under
				(Over)
Expenditures:				
General government:				
Mayor and Council:				
Current:				
Personal services	\$ 31,137	\$ 31,137	\$ 28,382	\$ 2,755
Contractual services	4,700	4,700	5,579	(879)
Commodities	1,100	1,100	1,271	(171)
Central services	37,044	37,044	41,474	(4,430)
Total mayor and council	73,981	73,981	76,706	(2,725)
Administration:				
Current:				
Personal services	748,072	748,072	735,375	12,697
Contractual services	142,300	142,300	135,790	6,510
Commodities	2,500	2,500	2,894	(394)
Central services	60,480	60,480	66,668	(6,188)
Total current	953,352	953,352	940,727	12,625
Capital outlay	5,821	5,821	934	4,887
Total administration	959,173	959,173	941,661	17,512
Planning:				
Current:				
Personal services	310,691	310,691	304,826	5,865
Contractual services	15,500	15,500	14,880	620
Commodities	1,400	1,400	1,351	49
Central services	39,180	39,180	43,543	(4,363)
Total current	366,771	366,771	364,600	2,171
Capital outlay	1,800	1,800	-	1,800
Total planning	368,571	368,571	364,600	3,971
Finance:				
Current:				
Personal services	436,490	436,490	426,703	9,787
Contractual services	96,000	96,000	93,592	2,408
Commodities	2,100	2,100	938	1,162
Central services	44,700	44,700	49,411	(4,711)
Total current	579,290	579,290	570,644	8,646
Capital outlay	5,820	5,820	3,126	2,694
Total finance	585,110	585,110	573,770	11,340
Election:				
Current:				
Personal services	90,547	90,547	86,121	4,426
Contractual services	14,944	14,944	10,842	4,102
Commodities	5,280	5,280	5,975	(695)
Central services	6,696	6,696	7,117	(421)
Total current	117,467	117,467	110,055	7,412
Capital outlay	-	-	-	-
Total election	117,467	117,467	110,055	7,412

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
For The Year Ended December 31, 2005

Statement 10

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Under (Over)
	Original	Final		
Assessing:				
Current:				
Personal services	\$ 568,831	\$ 568,831	\$ 560,688	\$ 8,143
Contractual services	100,640	100,640	83,243	17,397
Commodities	2,400	2,400	1,390	1,010
Central services	56,328	56,328	61,853	(5,525)
Total current	728,199	728,199	707,174	21,025
Capital outlay	11,954	11,954	23,894	(11,940)
Total assessing	740,153	740,153	731,068	9,085
Legal and court services:				
Current:				
Contractual services	410,000	410,000	363,838	46,162
Contingencies:				
Current:				
Contractual services	123,014	123,014	50,733	72,281
Commodities	-	-	3,181	(3,181)
Total contingencies	123,014	123,014	53,914	69,100
City's share of special assessment:				
Current:				
Contractual services	28,000	28,000	24,719	3,281
Human Rights Commission:				
Current:				
Contractual services	83,990	83,990	83,151	839
Suburban Rate Authority:				
Current:				
Contractual services	3,000	3,000	3,000	-
Edina Resource Center				
Current:				
Contractual services	33,372	33,372	33,372	-
Human Services Planning & Coordination				
Current:				
Contractual services	22,736	22,736	45,756	(23,020)
Records management:				
Current:				
Contractual services	27,000	27,000	-	27,000
Employee programs				
Current:				
Personal services	119,200	119,200	168,062	(48,862)
Contractual services	10,800	10,800	9,325	1,475
Total employee programs	130,000	130,000	177,387	(47,387)
Dial-a-Ride:				
Current:				
Contractual services	22,000	22,000	15,231	6,769
Public Artscape:				
Current:				
Contractual services	25,000	25,000	3,736	21,264
Total general government	3,752,567	3,752,567	3,601,964	150,603

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
For The Year Ended December 31, 2005

Statement 10

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Under (Over)
	Original	Final		
Public safety:				
Police protection:				
Current:				
Personal services	\$ 5,210,487	\$ 5,210,487	\$ 5,104,617	\$ 105,870
Contractual services	322,635	322,635	341,309	(18,674)
Commodities	69,247	69,247	65,002	4,245
Central services	747,972	747,972	803,439	(55,467)
Total current	6,350,341	6,350,341	6,314,367	35,974
Capital outlay	243,000	243,000	547,081	(304,081)
Total police protection	6,593,341	6,593,341	6,861,448	(268,107)
Fire protection:				
Current:				
Personal services	3,068,042	3,068,042	3,012,384	55,658
Contractual services	271,175	271,175	283,478	(12,303)
Commodities	134,300	134,300	174,171	(39,871)
Central services	274,788	274,788	286,880	(12,092)
Total current	3,748,305	3,748,305	3,756,913	(8,608)
Capital outlay	184,171	184,171	490,695	(306,524)
Total fire protection	3,932,476	3,932,476	4,247,608	(315,132)
Civil defense:				
Current:				
Personal services	27,733	27,733	27,729	4
Contractual services	9,039	9,039	6,028	3,011
Commodities	1,348	1,348	-	1,348
Total current	38,120	38,120	33,757	4,363
Capital outlay	5,200	5,200	-	5,200
Total civil defense	43,320	43,320	33,757	9,563
Animal Control:				
Current:				
Personal services	49,545	49,545	52,970	(3,425)
Contractual services	7,929	7,929	8,961	(1,032)
Commodities	3,857	3,857	238	3,619
Central services	6,756	6,756	7,045	(289)
Total current	68,087	68,087	69,214	(1,127)
Capital outlay	6,895	6,895	-	6,895
Total animal control	74,982	74,982	69,214	5,768
Public health:				
Current:				
Personal services	236,872	236,872	214,718	22,154
Contractual services	174,085	174,085	169,713	4,372
Commodities	1,300	1,300	387	913
Central services	26,184	26,184	28,964	(2,780)
Total current	438,441	438,441	413,782	24,659
Capital outlay	5,200	5,200	-	5,200
Total public health	443,641	443,641	413,782	29,859

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
For The Year Ended December 31, 2005

Statement 10

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Under (Over)
	Original	Final		
Inspections:				
Current:				
Personal services	\$ 517,586	\$ 517,586	\$ 531,766	\$ (14,180)
Contractual services	84,867	84,867	110,313	(25,446)
Commodities	4,296	4,296	3,945	351
Central services	68,160	68,160	74,621	(6,461)
Total current	674,909	674,909	720,645	(45,736)
Capital outlay	17,396	17,396	2,602	14,794
Total inspections	692,305	692,305	723,247	(30,942)
Total public safety	11,780,065	11,780,065	12,349,056	(568,991)
Public works:				
Administration:				
Current:				
Personal services	154,481	154,481	139,194	15,287
Contractual services	5,300	5,300	4,457	843
Commodities	-	-	309	(309)
Central services	17,652	17,652	19,617	(1,965)
Total administration	177,433	177,433	163,577	13,856
Engineering:				
Current:				
Personal services	584,027	584,027	563,260	20,767
Contractual services	43,050	43,050	52,568	(9,518)
Commodities	13,500	13,500	13,458	42
Central services	67,932	67,932	74,114	(6,182)
Total current	708,509	708,509	703,400	5,109
Capital outlay	46,750	46,750	83,340	(36,590)
Total engineering	755,259	755,259	786,740	(31,481)
Supervision and overhead:				
Current:				
Personal services	206,744	206,744	157,563	49,181
Contractual services	35,200	35,200	33,185	2,015
Commodities	600	600	587	13
Central services	139,800	139,800	161,082	(21,282)
Total supervision and overhead	382,344	382,344	352,417	29,927
Street maintenance:				
Current:				
Personal services	1,634,872	1,634,872	1,668,514	(33,642)
Contractual services	656,570	656,570	612,866	43,704
Commodities	646,785	646,785	670,312	(23,527)
Central services	512,988	512,988	512,988	-
Total current	3,451,215	3,451,215	3,464,680	(13,465)
Capital outlay	475,374	475,374	399,597	75,777
Total street maintenance	3,926,589	3,926,589	3,864,277	62,312
Total public works	5,241,625	5,241,625	5,167,011	74,614

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
For The Year Ended December 31, 2005

Statement 10

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Under (Over)
	Original	Final		
Parks:				
Administration:				
Current:				
Personal services	\$ 549,001	\$ 549,001	\$ 537,660	\$ 11,341
Contractual services	30,492	30,492	25,817	4,675
Commodities	3,236	3,236	2,883	353
Central services	59,508	59,508	65,472	(5,964)
Total current	642,237	642,237	631,832	10,405
Capital outlay	6,487	6,487	3,274	3,213
Total administration	648,724	648,724	635,106	13,618
Recreation:				
Current:				
Personal services	159,203	159,203	133,497	25,706
Contractual services	149,491	149,491	134,655	14,836
Commodities	43,120	43,120	42,128	992
Total recreation	351,814	351,814	310,280	41,534
Maintenance:				
Current:				
Personal services	1,339,621	1,339,621	1,343,162	(3,541)
Contractual services	301,249	301,249	261,999	39,250
Commodities	174,195	174,195	170,224	3,971
Central services	250,920	250,920	259,246	(8,326)
Total current	2,065,985	2,065,985	2,034,631	31,354
Capital outlay	111,206	111,206	130,875	(19,669)
Total maintenance	2,177,191	2,177,191	2,165,506	11,685
Deer control:				
Current:				
Contractual services	9,270	9,270	6,625	2,645
Commodities	-	-	174	(174)
Total deer control	9,270	9,270	6,799	2,471
Total parks	3,186,999	3,186,999	3,117,691	69,308
Total expenditures	23,961,256	23,961,256	24,235,722	(274,466)
Revenues over (under) expenditures	(681,500)	(681,500)	1,116,913	1,798,413
Other financing sources (uses):				
Transfer from other funds	686,500	686,500	-	(686,500)
Transfer to other funds	(50,000)	(50,000)	(50,000)	-
Sale of capital assets	45,000	45,000	135,045	90,045
Total financing sources (uses)	681,500	681,500	85,045	(596,455)
Net increase (decrease) in fund balance	\$ -	\$ -	\$ 1,201,958	\$ 1,201,958
Fund balance - January 1			10,616,826	
Fund balance - December 31			\$ 11,818,784	

CITY OF EDINA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2005

Note A LEGAL COMPLIANCE – BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the passage of a resolution by the City Council.
4. Formal budgetary integration is employed as a management control device during the year.
5. Budgets for the General Fund and the Community Development Block Grant Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The City Council may authorize transfers of budgeted amounts between departments.
7. Reported budget amounts are as originally adopted or as amended by Council-approved supplemental appropriations and budget transfers.
8. Expenditures may not legally exceed appropriations by department unless offset by increases in revenues. All unencumbered appropriations lapse at year-end.

CITY OF EDINA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2005

Note B EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the department level for the General Fund. The following is a listing of General Fund departments whose expenditures exceed budget appropriations.

	Final Budget	Actual	Over Budget
General Government:			
Mayor and council	\$ 73,981	\$ 76,706	\$ 2,725
Human services planning	22,736	45,756	23,020
Employee programs	130,000	177,387	47,387
Public Safety:			
Police protection	6,593,341	6,861,448	268,107
Fire protection	3,932,476	4,247,608	315,132
Inspections	692,305	723,247	30,942
Public Works:			
Engineering	755,259	786,740	31,481

Excess expenditures in the Mayor and Council department are funded by general fund balance designated for cash flow. Excess expenditures in the human services planning, employee programs, police protection, fire protection, and engineering departments are funded by general fund balance designated for commitments. Excess expenditures in the inspections department are funded by greater than anticipated license and permit revenue.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

A Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Community Development Block Grant Fund - This fund was established to account for funds received under Title I of the Housing and Community Development Act of 1974.

Communications Fund - This fund was established to account for funds received from the franchise fee of the local cable television service.

CITY OF EDINA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2005

Statement 11

	Community Development Block Grant	Communication	Total Nonmajor Special Revenue Funds
Assets			
Cash and cash equivalents	\$ 895	\$ 3,253	\$ 4,148
Investments	-	630,264	630,264
Accounts receivable	-	128,432	128,432
Accrued interest receivable	-	5,120	5,120
Due from other funds	-	11,000	11,000
Due from other governments	10,105	-	10,105
Total assets	<u>\$ 11,000</u>	<u>\$ 778,069</u>	<u>\$ 789,069</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ 44,006	\$ 44,006
Salaries payable	-	1,106	1,106
Due to other funds	11,000	-	11,000
Unearned revenue	-	1,930	1,930
Total liabilities	<u>11,000</u>	<u>47,042</u>	<u>58,042</u>
Fund balance:			
Unreserved:			
Undesignated	-	731,027	731,027
Total fund balance	<u>-</u>	<u>731,027</u>	<u>731,027</u>
Total liabilities and fund balance	<u>\$ 11,000</u>	<u>\$ 778,069</u>	<u>\$ 789,069</u>

CITY OF EDINA, MINNESOTA
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2005**
Statement 12

	Community Development Block Grant	Communication	Total Nonmajor Special Revenue Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Franchise fees	\$ -	\$ 457,421	\$ 457,421
Intergovernmental	172,635	-	172,635
Investment income	-	15,076	15,076
Other	-	54,246	54,246
Total revenues	<u>172,635</u>	<u>526,743</u>	<u>699,378</u>
Expenditures:			
Current:			
General government	<u>172,635</u>	<u>577,174</u>	<u>749,809</u>
Total expenditures	<u>172,635</u>	<u>577,174</u>	<u>749,809</u>
Net increase (decrease) in fund balance	-	(50,431)	(50,431)
Fund balance - January 1	<u>-</u>	<u>781,458</u>	<u>781,458</u>
Fund balance - December 31	<u><u>\$ -</u></u>	<u><u>\$ 731,027</u></u>	<u><u>\$ 731,027</u></u>

CITY OF EDINA, MINNESOTA**SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT****Statement 13****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Intergovernmental	\$ 172,355	\$ 172,355	\$ 172,635
Total revenues	<u>172,355</u>	<u>172,355</u>	<u>172,635</u>
Expenditures:			
Current:			
General government	<u>172,355</u>	<u>172,355</u>	<u>172,635</u>
Net increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - January 1			<u>-</u>
Fund balance - December 31			<u>\$ -</u>

NONMAJOR PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds account for the financing of self-supporting activities of governmental units which render services to the general public on a user charge basis. The following are nonmajor enterprise funds:

- Arena
- Art Center
- Edinburgh Park/Centennial Lake

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
December 31, 2005

Statement 14

	Arena	Art Center	Edinborough Park Centennial Lake	Total Nonmajor Proprietary Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 62,284	\$ 9,576	\$ 2,032	\$ 73,892
Investments	-	-	4,525,304	4,525,304
Interest receivable	-	-	36,758	36,758
Accounts receivable	130,518	-	3,415	133,933
Due from other funds	25,000	-	-	25,000
Inventory	-	15,828	-	15,828
Total current assets	217,802	25,404	4,567,509	4,810,715
Noncurrent assets:				
Deferred charges	3,853	-	-	3,853
Net capital assets	3,242,321	310,863	750,791	4,303,975
Total noncurrent assets	3,246,174	310,863	750,791	4,307,828
Total assets	3,463,976	336,267	5,318,300	9,118,543
Liabilities:				
Current liabilities:				
Accounts payable	59,664	25,983	42,624	128,271
Salaries payable	7,894	3,378	11,973	23,245
Accrued interest payable	12,392	-	-	12,392
Due to other funds	-	-	25,000	25,000
Due to other governments	663	1,358	3,682	5,703
Unearned revenue	-	3,067	49,454	52,521
Compensated absences payable	10,737	4,081	10,891	25,709
Bonds payable	200,000	-	-	200,000
Total current liabilities	291,350	37,867	143,624	472,841
Noncurrent liabilities:				
Compensated absences	96,633	36,733	98,022	231,388
Bonds payable, net	642,116	-	-	642,116
Total noncurrent liabilities	738,749	36,733	98,022	873,504
Total liabilities	1,030,099	74,600	241,646	1,346,345
Net assets:				
Invested in capital assets, net of related debt	2,404,058	310,863	750,791	3,465,712
Unrestricted	29,819	(49,196)	4,325,863	4,306,486
Total net assets	\$ 2,433,877	\$ 261,667	\$ 5,076,654	\$ 7,772,198

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For The Year Ended December 31, 2005

Statement 15

	Arena	Art Center	Edinborough Park Centennial Lake	Total Nonmajor Proprietary Funds
Operating revenues:				
Sales - retail	\$ 10,999	\$ 60,313	\$ -	\$ 71,312
Sales - concessions	-	3,795	20,131	23,926
Memberships	4,004	29,856	48,428	82,288
Admissions	71,619	-	368,739	440,358
Building rental	1,151,012	-	219,999	1,371,011
Rental of equipment	3,759	-	54,134	57,893
Greens fees	-	-	180,895	180,895
Class registration & other fees	135,214	397,530	491,433	1,024,177
Total operating revenues	<u>1,376,607</u>	<u>491,494</u>	<u>1,383,759</u>	<u>3,251,860</u>
Operating expenses:				
Cost of sales and services	1,271	27,200	8,964	37,435
Personal services	564,919	246,526	938,191	1,749,636
Contractual services	538,475	253,188	380,634	1,172,297
Commodities	50,002	46,373	171,087	267,462
Central Services	39,220	31,150	82,745	153,115
Depreciation	303,544	28,669	86,247	418,460
Total operating expenses	<u>1,497,431</u>	<u>633,106</u>	<u>1,667,868</u>	<u>3,798,405</u>
Operating loss	<u>(120,824)</u>	<u>(141,612)</u>	<u>(284,109)</u>	<u>(546,545)</u>
Nonoperating revenues (expenses):				
Investment income	-	-	114,144	114,144
Donations	914	19,557	254	20,725
Interest and fiscal charges	(24,911)	-	-	(24,911)
Gain (loss) on sale of capital asset	-	-	5,983	5,983
Amortization of bond discount	(2,246)	-	-	(2,246)
Total nonoperating revenues (expenses)	<u>(26,243)</u>	<u>19,557</u>	<u>120,381</u>	<u>113,695</u>
Income (loss) before transfers	<u>(147,067)</u>	<u>(122,055)</u>	<u>(163,728)</u>	<u>(432,850)</u>
Transfers:				
Transfers in	86,000	100,000	-	186,000
Total transfers	<u>86,000</u>	<u>100,000</u>	<u>-</u>	<u>186,000</u>
Change in net assets	(61,067)	(22,055)	(163,728)	(246,850)
Net assets - January 1	<u>2,494,944</u>	<u>283,722</u>	<u>5,240,382</u>	<u>8,019,048</u>
Net assets - December 31	<u>\$ 2,433,877</u>	<u>\$ 261,667</u>	<u>\$ 5,076,654</u>	<u>\$ 7,772,198</u>

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For The Year Ended December 31, 2005

Statement 16

	Arena	Art Center	Edinborough Park Centennial Lake	Total Nonmajor Proprietary Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,373,299	\$ 492,011	\$ 1,389,475	\$ 3,254,785
Payment to suppliers	(598,172)	(358,102)	(632,646)	(1,588,920)
Payment to employees	(553,712)	(243,885)	(924,564)	(1,722,161)
Net cash provided by (used in) operating activities	221,415	(109,976)	(167,735)	(56,296)
Cash flows from noncapital financing activities:				
Transfer (to) from Enterprise Funds	41,000	100,000	-	141,000
Transfer (to) from Capital Project Funds	45,000	-	-	45,000
Net interfund borrowing	(25,000)	-	25,000	-
Donations	914	19,557	254	20,725
Net cash provided by noncapital financing activities	61,914	119,557	25,254	206,725
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(531)	(121,462)	(121,993)
Sale of capital assets	-	-	5,983	5,983
Principal paid on bonds	(195,000)	-	-	(195,000)
Interest paid on bonds	(26,815)	-	-	(26,815)
Net cash used in capital and related financing activities	(221,815)	(531)	(115,479)	(337,825)
Cash flows from investing activities:				
Proceeds from sales of investments	-	-	133,086	133,086
Investment income	-	-	116,915	116,915
Net cash flows provided by (used in) investing activities	-	-	250,001	250,001
Net increase (decrease) in cash and cash equivalents	61,514	9,050	(7,959)	62,605
Cash and cash equivalents - January 1	770	526	9,991	11,287
Cash and cash equivalents - December 31	\$ 62,284	\$ 9,576	\$ 2,032	\$ 73,892
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (120,824)	\$ (141,612)	\$ (284,109)	\$ (546,545)
Adjustments to reconcile operating loss to net cash flows from operating activities:				
Depreciation	303,544	28,669	86,247	418,460
Changes in assets and liabilities:				
Decrease (increase) in receivables	(3,308)	-	5,512	2,204
Decrease (increase) in inventory	-	1,140	-	1,140
Increase (decrease) in accounts payable	30,341	4,268	11,672	46,281
Increase (decrease) in salaries payable	2,020	1,181	2,724	5,925
Increase (decrease) in contracts payable	-	(5,732)	-	(5,732)
Increase (decrease) in due to other governments	455	133	(888)	(300)
Increase (decrease) in unearned revenue	-	517	204	721
Increase (decrease) in compensated absences	9,187	1,460	10,903	21,550
Total adjustments	342,239	31,636	116,374	490,249
Net cash provided by (used in) operating activities	\$ 221,415	\$ (109,976)	\$ (167,735)	\$ (56,296)
Noncash investing, capital and financing activities:				
Increase (decrease) in fair value of investments	\$ -	\$ -	\$ (68,856)	\$ (68,856)

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended December 31, 2005

Statement 17

	Balance January 1	Additions	Deductions	Balance December 31
POLICE SEIZURE				
ASSETS:				
Cash	\$ 251,648	\$ 49,025	\$ -	\$ 300,673
LIABILITIES:				
Due to other governmental units	\$ 251,648	\$ 49,025	\$ -	\$ 300,673
PUBLIC SAFETY TRAINING FACILITY				
ASSETS:				
Cash	\$ 11,138	\$ -	\$ 2,055	\$ 9,083
Due from other governmental units	172,006	-	172,006	-
Investments	40,000	95,000	-	135,000
TOTAL ASSETS	\$ 223,144	\$ 95,000	\$ 174,061	\$ 144,083
LIABILITIES:				
Accounts payable	\$ 17,993	\$ -	\$ 7,027	\$ 10,966
Salaries payable	817	134	-	951
Contracts payable	33,945	-	33,945	-
Due to other governmental units	170,389	-	38,223	132,166
TOTAL LIABILITIES	\$ 223,144	\$ 134	\$ 79,195	\$ 144,083
PAYROLL				
ASSETS:				
Cash	\$ -	\$ 229,971	\$ -	\$ 229,971
LIABILITIES:				
Accounts payable	\$ -	\$ 70,677	\$ -	\$ 70,677
Due to other governmental units	-	159,294	-	159,294
TOTAL LIABILITIES	\$ -	\$ 229,971	\$ -	\$ 229,971
TOTALS - ALL AGENCY FUNDS				
ASSETS:				
Cash	\$ 262,786	\$ 278,996	\$ 2,055	\$ 539,727
Investments	40,000	95,000	-	135,000
Due from other governmental units	172,006	-	172,006	-
TOTAL ASSETS	\$ 474,792	\$ 373,996	\$ 174,061	\$ 674,727
LIABILITIES:				
Accounts payable	\$ 17,993	\$ 70,677	\$ 7,027	\$ 81,643
Salaries payable	817	134	-	951
Contracts payable	33,945	-	33,945	-
Due to other governmental units	422,037	208,319	38,223	592,133
TOTAL LIABILITIES	\$ 474,792	\$ 279,130	\$ 79,195	\$ 674,727

This page left blank intentionally.

This page left blank intentionally.

CITY OF EDINA, MINNESOTA
COMBINED SCHEDULE OF BONDED INDEBTEDNESS
December 31, 2005

	Interest Rates	Date	Final Maturity Date	Prior Years	
				Original Issue	Redeemed
Tax Increment Bonds:					
Tax Increment Taxable Refunding Bonds, Series 1996A	5.85 - 6.25	03/01/96	02/01/09	\$11,250,000	\$ 4,175,000
Tax Increment Bonds, Series 1997B	4.50 - 5.20	04/01/97	02/01/13	5,090,000	975,000
Tax Increment Bonds, Series 2000A	4.30 - 4.80	09/06/00	02/01/11	2,620,000	660,000
Tax Increment Bonds, Series 2000C	4.50 - 4.65	09/06/00	02/01/09	15,820,000	3,855,000
Tax Increment Bonds, Series 2002B	3.00%	08/05/02	02/01/09	1,400,000	-
Tax Increment Taxable Refunding Bonds, Series 2003B	1.128 - 1.749	03/01/03	02/01/06	6,570,000	2,325,000
Tax Increment Refunding Bonds, Series 2005B	3.00%	07/19/05	02/01/09	-	-
Tax Increment Taxable Refunding Bonds, Series 2005C	3.75 - 4.25	07/19/05	02/01/09	-	-
Tax Increment Refunding Bonds, Series 2005D	3.00 - 3.40	07/19/05	02/01/13	-	-
Total Tax Increment Bonds				42,750,000	11,990,000
General Obligation Bonds:					
GO Park & Recreation, Series 1996B	4.25 - 5.75	08/01/96	02/01/17	8,090,000	1,790,000
GO Equipment Certificates, Series 2003A	1.05 - 2.40	03/01/03	02/01/08	1,540,000	545,000
GO Park & Recreation Refunding Bonds, Series 2005A	3.50 - 4.00	07/19/05	02/01/17	-	-
GO Permanent Improvement Revolving, Series 2005E	3.00 - 3.75	09/13/05	02/01/16	-	-
Total General Obligation Bonds				9,630,000	2,335,000
Public Project Revenue Bonds:					
Public Project Revenue, Series 2002	4.00 - 5.25	01/01/02	02/01/21	12,410,000	815,000
Public Project Revenue, Series 2005	3.00 - 4.13	09/13/05	05/01/26	-	-
Total Public Project Revenue Bonds				12,410,000	815,000
Revenue Bonds:					
Recreational Facility Bonds, Series 1999B	3.70 - 4.45	05/03/99	01/01/13	3,270,000	475,000
Recreational Facility Bonds, Series 2001A	2.25 - 4.65	11/01/01	01/01/17	4,620,000	1,090,000
Utility Revenue Bonds, Series 1999A	3.20 - 4.20	05/03/99	02/01/09	3,600,000	1,650,000
Utility Revenue Bonds, Series 2003C	1.10 - 3.55	03/01/03	02/01/13	3,200,000	290,000
Total Public Project Revenue Bonds				14,690,000	3,505,000
Total - Bonded indebtedness				\$ 79,480,000	\$ 18,645,000

Exhibit 1

Outstanding 12/31/2004	2005		Payable 12/31/2005	Principal Due In 2006	Interest Due In 2006	Interest Payable to Maturity
	Issued	Payments				
\$ 7,075,000	\$ -	\$ 7,075,000	\$ -	\$ -	\$ -	\$ -
4,115,000	-	250,000	3,865,000	3,865,000	102,453	102,453
1,960,000	-	240,000	1,720,000	255,000	74,095	253,529
11,965,000	-	11,965,000	-	-	-	-
1,400,000	-	-	1,400,000	-	42,000	273,000
4,245,000	-	2,570,000	1,675,000	1,675,000	20,938	20,938
-	10,520,000	-	10,520,000	1,650,000	301,370	721,070
-	6,220,000	-	6,220,000	1,000,000	245,318	591,705
-	3,505,000	-	3,505,000	-	116,433	533,422
<u>30,760,000</u>	<u>20,245,000</u>	<u>22,100,000</u>	<u>28,905,000</u>	<u>8,445,000</u>	<u>902,607</u>	<u>2,496,117</u>
6,300,000	-	350,000	5,950,000	5,950,000	164,581	164,581
995,000	-	555,000	440,000	145,000	7,950	14,800
-	5,375,000	-	5,375,000	-	205,776	1,407,632
-	1,460,000	-	1,460,000	-	43,366	290,976
<u>7,295,000</u>	<u>6,835,000</u>	<u>905,000</u>	<u>13,225,000</u>	<u>6,095,000</u>	<u>421,673</u>	<u>1,877,989</u>
11,595,000	-	460,000	11,135,000	480,000	537,337	5,071,894
-	5,425,000	-	5,425,000	-	242,441	2,724,195
<u>11,595,000</u>	<u>5,425,000</u>	<u>460,000</u>	<u>16,560,000</u>	<u>480,000</u>	<u>779,778</u>	<u>7,796,089</u>
2,795,000	-	265,000	2,530,000	270,000	102,925	464,144
3,530,000	-	585,000	2,945,000	610,000	96,335	381,410
1,950,000	-	360,000	1,590,000	375,000	57,345	134,152
2,910,000	-	285,000	2,625,000	290,000	72,263	349,679
<u>11,185,000</u>	<u>-</u>	<u>1,495,000</u>	<u>9,690,000</u>	<u>1,545,000</u>	<u>328,868</u>	<u>1,329,385</u>
<u>\$ 60,835,000</u>	<u>\$ 32,505,000</u>	<u>\$ 24,960,000</u>	<u>\$ 68,380,000</u>	<u>\$ 16,565,000</u>	<u>\$ 2,432,926</u>	<u>\$ 13,499,580</u>

CITY OF EDINA, MINNESOTA**ASSESSED VALUATION, TAX LEVIES AND MILL RATES**

(shown by year of tax collectibility)

Exhibit 2

	2002	2003	2004	2005	2006
Total tax capacity	\$72,583,694	\$77,665,879	\$83,447,880	\$91,309,672	\$ 101,947,912
Increment valuation	(6,513,676)	(6,909,331)	(6,949,064)	(7,330,826)	(7,980,069)
Contribution to fiscal disparities pool	(6,893,865)	(7,587,409)	(7,945,664)	(7,635,854)	(7,107,862)
Tax capacity used for rate calculation	59,176,153	63,169,139	68,553,152	76,342,992	86,859,981
Fiscal disparities distribution	1,830,348	1,975,365	2,202,656	2,374,371	2,411,937
Adjusted net tax capacity	<u>\$61,006,501</u>	<u>\$65,144,504</u>	<u>\$70,755,808</u>	<u>\$78,717,363</u>	<u>\$ 89,271,918</u>
Tax levies:					
General fund	\$15,990,256	\$16,171,875	\$16,489,129	\$17,772,350	\$ 18,560,151
Public project revenue	1,000,000	1,026,437	1,028,837	1,058,840	1,501,741
Certificates of indebtedness	-	586,163	604,275	162,200	159,100
Total certified tax levies	16,990,256	17,784,475	18,122,241	18,993,390	20,220,992
Referendum market value levy	738,347	721,967	686,662	674,161	599,138
Total levy	<u>\$17,728,603</u>	<u>\$18,506,442</u>	<u>\$18,808,903</u>	<u>\$19,667,551</u>	<u>\$ 20,820,130</u>
Tax capacity rate:					
General fund revenue	26.116	24.586	23.183	22.536	20.755
Bonds & interest	1.690	2.553	2.382	1.549	1.858
Total tax capacity rate	<u>27.806</u>	<u>27.139</u>	<u>25.565</u>	<u>24.085</u>	<u>22.613</u>
Market value rate	<u>0.012</u>	<u>0.011</u>	<u>0.010</u>	<u>0.00880</u>	<u>0.00703</u>

CITY OF EDINA, MINNESOTA**SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS****Exhibit 3**

FOR 50TH & FRANCE-NO. 1200, A TAX INCREMENT FINANCING DISTRICT

(Districts 1200, 1201, 1203 and 1204 are pooled)

December 31, 2005

(Unaudited)

	Original Budget	Amended Budget	Accounted for in prior years	Current year	Amount remaining
Source of funds:					
Bond proceeds	\$ 2,200,000	\$ 5,280,000	\$ 5,251,998	\$ -	\$ 28,002
Tax increments received	-	31,748,489	21,729,744	861,400	9,157,345
Real estate sales *	800,000	170,782	170,782	-	-
State aid	-	418,871	418,871	-	-
Special assessments	-	1,321,096	728,505	-	592,591
Parking permits	-	268,524	268,524	-	-
Community development	-	186,064	186,064	-	-
Interest on invested funds	-	2,000,000	2,689,340	41,430	(730,770)
Other	-	73,881	73,881	-	-
Total sources of funds:	<u>3,000,000</u>	<u>41,467,707</u>	<u>31,517,709</u>	<u>902,830</u>	<u>9,047,168</u>
Uses of funds:					
Land acquisition	-	873,061	873,061	-	-
Installation of public utilities and improvements	3,000,000	7,867,034	7,862,032	-	5,002
Bond payments:					
Principal	-	5,280,000	4,500,000	860,000	(80,000)
Interest	-	4,738,329	4,132,264	8,600	597,465
Administrative costs	-	1,230,000	1,206,201	(750)	24,549
Paid to other governments	-	21,000	14,009	1,633	5,358
Work orders	-	16,257	16,257	-	-
Contingencies	-	11,644	11,644	-	-
Interest	-	463,037	463,037	-	-
Miscellaneous	-	62,095	63,010	-	(915)
Transfer	-	15,000,000	10,000,000	2,350,000	2,650,000
Total uses of funds:	<u>3,000,000</u>	<u>35,562,457</u>	<u>29,141,515</u>	<u>3,219,483</u>	<u>3,201,459</u>
Funds remaining (deficit)	<u>\$ -</u>	<u>\$ 5,905,250</u>	<u>\$ 2,376,194</u>	<u>\$ (2,316,653)</u>	<u>\$ 5,845,709</u>

	Cost to authority	Price paid by developer
* Real estate sales		
Liquor store site	\$ 128,064	\$ 105,002
Union oil site	134,506	65,780
	<u>\$ 262,570</u>	<u>\$ 170,782</u>

CITY OF EDINA, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
Exhibit 4
FOR SOUTHEAST EDINA REDEVELOPMENT DISTRICT-NO. 1201, A TAX INCREMENT FINANCING DISTRICT

(Districts 1200, 1201, 1203 and 1204 are pooled)

December 31, 2005

(Unaudited)

	Original Budget	Amended Budget	Accounted for in prior years	Current year	Amount remaining
Source of funds:					
Bond proceeds	\$ 6,165,177	\$ 21,470,000	\$ 20,219,852	\$ -	\$ 1,250,148
Tax increments received	-	75,000,000	49,550,750	2,694,507	22,754,743
Real estate sales *	598,005	3,000,000	2,642,115	-	357,885
Loan proceeds	-	1,321,096	-	-	1,321,096
Community development	-	189,221	189,221	-	-
Interest on invested funds	-	3,500,000	2,652,263	7,885	839,852
Other	-	50,000	1,357	-	48,643
Total sources of funds:	<u>6,763,182</u>	<u>104,530,317</u>	<u>75,255,558</u>	<u>2,702,392</u>	<u>26,572,367</u>
Uses of funds:					
Land acquisition	6,682,998	12,200,000	6,894,303	-	5,305,697
Installation of public utilities and improvements	-	16,000,000	14,278,823	-	1,721,177
Site improvements or preparation costs	2,885,484	2,000,000	468,098	-	1,531,902
Bond payments:					
Principal	-	21,470,000	19,060,000	1,710,000	700,000
Interest	-	20,100,000	19,692,351	58,975	348,674
Administrative costs	194,700	1,800,000	1,673,988	-	126,012
Paid to other governments	-	110,000	66,532	9,012	34,456
Transfers out	-	17,000,000	11,447,957	1,048,742	4,503,301
Interest reduction	-	1,850,000	-	-	1,850,000
Parkland dedication fees	-	767,852	767,852	-	-
Total uses of funds:	<u>9,763,182</u>	<u>93,297,852</u>	<u>74,349,904</u>	<u>2,826,729</u>	<u>16,121,219</u>
Funds remaining (deficit)	<u>\$ (3,000,000)</u>	<u>\$ 11,232,465</u>	<u>\$ 905,654</u>	<u>\$ (124,337)</u>	<u>\$ 10,451,148</u>

	Cost to authority	Price paid by developer
* Real estate sales		
Retail site	\$ 8,350	\$ 11,899
Hotel site	192,915	192,915
Elderly site	453,740	346,534
Office site	1,027,277	784,563
Coventry Townhouses	1,318,103	1,318,103
	<u>\$ 3,000,385</u>	<u>\$ 2,654,014</u>

CITY OF EDINA, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

Exhibit 5

FOR GRANDVIEW AREA REDEVELOPMENT DISTRICT-NO. 1202, A TAX INCREMENT FINANCING DISTRICT

December 31, 2005

(Unaudited)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Accounted for in prior years</u>	<u>Current year</u>	<u>Amount remaining</u>
Source of funds:					
Bond proceeds	\$ 4,500,000	\$ 9,900,000	\$ 9,475,915	\$ -	\$ 424,085
Tax increments received	-	29,737,107	10,800,539	1,006,044	17,930,524
Real estate sales *	-	4,700,000	5,402,344	-	(702,344)
Interest on invested funds	-	300,000	872,763	28,731	(601,494)
Other	-	-	59,868	1,200	(61,068)
Total sources of funds:	<u>4,500,000</u>	<u>44,637,107</u>	<u>26,611,429</u>	<u>1,035,975</u>	<u>16,989,703</u>
Uses of funds:					
Land acquisition	-	6,500,000	3,682,581	66,918	2,750,501
Installation of public utilities and improvements	4,310,000	17,127,000	9,738,935	-	7,388,065
Bond payments:					
Principal	-	9,900,000	6,277,555	240,000	3,382,445
Interest	-	9,190,000	2,691,204	127,173	6,371,623
Loan/note interest	-	-	1,792,067	574,939	(2,367,006)
Paid to other governments	-	-	191,998	1,550	(193,548)
Administrative costs	190,000	1,920,107	1,304,012	14,687	601,408
Total uses of funds:	<u>4,500,000</u>	<u>44,637,107</u>	<u>25,678,352</u>	<u>1,025,267</u>	<u>17,933,488</u>
Funds remaining (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 933,077</u>	<u>\$ 10,708</u>	<u>\$ (943,785)</u>

	<u>Cost to authority</u>	<u>Price paid by developer</u>
* Real estate sales		
5229 Eden Ave.	\$ 1,822,319	
5220 Eden Circle	995,000	
5244 Eden Circle (condemnation deposit)	309,937	
5201 Eden Circle	598,411	2,070,119
Project area	23,832	4,005,694
	<u>\$ 3,749,499</u>	<u>\$ 6,075,813</u>

CITY OF EDINA, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

Exhibit 6

FOR SOUTHEAST EDINA REDEVELOPMENT DISTRICT-NO. 1203, A TAX INCREMENT FINANCING DISTRICT

(Districts 1200, 1201, 1203 and 1204 are pooled)

December 31, 2005

(Unaudited)

	Original Budget	Amended Budget	Accounted for in prior years	Current year	Amount remaining
Source of funds:					
Bond proceeds	\$ 41,400,000	\$ 41,400,000	\$ 33,761,677	\$ -	\$ 7,638,323
Tax increments received	80,000,000	90,000,000	26,664,213	2,498,793	60,836,994
Real estate sales *	5,000,000	11,637,070	11,637,070	-	-
Special assessment	-	1,321,096	-	-	1,321,096
Interest on invested funds	-	2,500,000	2,589,166	200,573	(289,739)
Transfer in	-	32,000,000	22,559,181	3,398,743	6,042,076
Sale of material	-	255,710	255,710	-	-
Developer payments	-	297,826	297,826	-	-
Other	-	20,000	21,799	-	(1,799)
Total sources of funds:	<u>126,400,000</u>	<u>179,431,702</u>	<u>97,786,642</u>	<u>6,098,109</u>	<u>75,546,951</u>
Uses of funds:					
Land acquisition	13,900,000	22,981,425	22,981,425	-	-
Installation of public utilities and improvements	26,677,000	25,871,230	16,594,753	-	9,276,477
Bond payments:					
Principal	41,400,000	41,400,000	12,589,724	2,655,000	26,155,276
Interest	38,000,000	38,000,000	31,275,365	1,133,235	5,591,400
Administrative costs	1,140,800	1,600,000	1,275,223	13,292	311,485
Paid to other governments	-	42,000	23,751	3,113	15,136
Loan/note interest	-	14,684,711	3,057,661	455,184	11,171,866
Parkland dedication fees	-	2,030,345	2,030,345	-	-
Total uses of funds:	<u>121,117,800</u>	<u>146,609,711</u>	<u>89,828,247</u>	<u>4,259,824</u>	<u>52,521,640</u>
Funds remaining (deficit)	<u>\$ 5,282,200</u>	<u>\$ 32,821,991</u>	<u>\$ 7,958,395</u>	<u>\$ 1,838,285</u>	<u>\$ 23,025,311</u>

	Cost to authority	Price paid by developer
* Real estate sales		
Retail and theater site	\$ 3,213,720	\$ 3,213,720
Medical office site	815,092	815,092
Office site	1,107,160	1,107,160
Office building #1	449,300	449,300
Office building #2	1,280,702	1,280,702
Office building #3	1,341,533	1,341,533
Office building #4	1,625,849	1,625,849
Office building #5	1,803,714	1,803,714
	<u>\$ 11,637,070</u>	<u>\$ 11,637,070</u>

CITY OF EDINA, MINNESOTA**SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS****Exhibit 7**

FOR 70TH STREET AND CAHILL ROAD DISTRICT-NO. 1207, A TAX INCREMENT FINANCING DISTRICT

December 31, 2005

(Unaudited)

	Original Budget	Amended Budget	Accounted for in prior years	Current year	Amount remaining
Source of funds:					
Bond proceeds	\$ 1,911,000	\$ 1,911,000	\$ -	\$ -	\$ 1,911,000
Tax increments received	2,177,855	2,177,855	746,863	-	1,430,992
Interest on invested funds	-	-	186,947	11,385	(198,332)
Other	-	-	-	-	-
Total sources of funds:	<u>4,088,855</u>	<u>4,088,855</u>	<u>933,810</u>	<u>11,385</u>	<u>3,143,660</u>
Uses of funds:					
Land acquisition	529,400	529,400	33,237	-	496,163
Installation of public utilities and improvements	325,000	325,000	540,279	-	(215,279)
Demolition	150,000	150,000	-	-	150,000
Relocation	160,000	160,000	-	-	160,000
Capitalized interest	150,000	150,000	-	-	150,000
Debt service	2,178,455	2,178,455	-	-	2,178,455
Paid to other governments	-	-	2,730	-	(2,730)
Administrative costs	596,000	596,000	74,830	-	521,170
Total uses of funds:	<u>4,088,855</u>	<u>4,088,855</u>	<u>651,076</u>	<u>-</u>	<u>3,437,779</u>
Funds remaining (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,734</u>	<u>\$ 11,385</u>	<u>\$ (294,119)</u>

This page left blank intentionally.

This page left blank intentionally.

CITY OF EDINA, MINNESOTA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
 Last Three Fiscal Years
 (Unaudited)

Fiscal Year*	General Government	Public Safety	Public Works	Parks	Interest on Long-Term Debt
2003	\$ 5,839,893	\$ 10,784,215	\$ 5,621,291	\$ 4,484,685	\$ 2,760,022
2004	6,934,045	11,063,767	5,834,490	4,248,060	2,399,682
2005	4,967,008	12,019,027	7,185,784	5,901,648	2,288,524

*Government-wide expenses are not available for years prior to 2003

Table 1

Utility		Liquor		Aquatic Center		Golf Course		Community Activity Centers		Total	
\$	8,107,553	\$	8,764,081	\$	711,061	\$	3,555,243	\$	3,833,026	\$	54,461,070
	7,801,580		9,110,888		701,768		3,508,741		3,850,192		55,453,213
	8,254,409		9,749,313		725,936		3,580,307		3,825,562		58,497,518

CITY OF EDINA, MINNESOTA
GOVERNMENT-WIDE REVENUES
 Last Three Fiscal Years
 (Unaudited)

Table 2

Fiscal Year*	Program Revenues			General Revenues				Total
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Tax Increments	Franchise Taxes	Unrestricted Investment Earnings	
2003	\$ 32,908,375	\$ 1,347,776	\$ 7,214,393	\$ 17,815,426	\$ 7,342,270	\$ -	\$ 673,326	\$ 67,301,566
2004	33,299,158	1,293,255	4,192,947	17,865,757	6,761,934	450,956	670,241	64,534,248
2005	35,441,433	1,643,774	2,252,491	19,071,202	7,060,744	457,421	1,214,610	67,141,675

*Government-wide revenues are not available for years prior to 2003

CITY OF EDINA, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Table 3

<u>Taxes Payable</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collection</u>	<u>Percent of Levy Collected (2)</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Delinquent Taxes as Percent of Current Levy</u>
1996	\$12,178,440	\$12,026,177	98.75%	\$(262,279)	\$11,763,898	96.60%	\$ 36,198	0.30%
1997	12,531,244	12,381,729	98.81%	(244,913)	12,136,816	96.85%	39,107	0.31%
1998	13,099,140	13,003,882	99.27%	48,985	13,052,867	99.65%	54,226	0.41%
1999	13,284,962	13,147,288	98.96%	36,293	13,183,581	99.24%	99,202	0.75%
2000	13,650,158	13,554,044	99.30%	15,355	13,569,399	99.41%	116,362	0.85%
2001	14,438,346	14,331,078	99.26%	25,907	14,356,985	99.44%	121,548	0.84%
2002	16,990,256	16,874,198	99.32%	55,578	16,929,776	99.64%	132,443	0.78%
2003	17,784,475	17,088,979	96.09%	68,657	17,157,636	96.48%	80,841	0.45%
2004	18,122,241	17,386,812	95.94%	(202,429)	17,184,383	94.82%	154,878	0.85%
2005	18,993,390	18,419,995	96.98%	(32,264)	18,387,731	96.81%	169,275	0.89%

(1) Excludes market value referendum levy.

(2) Beginning in 2003, the State of Minnesota ended reimbursement for the homestead market value credit (HMVC) program. The HMVC program reduces property taxes for certain residential properties and is phased out once a property reaches a certain assessed value. When the State ended reimbursing the City for HMVC in 2003, tax collections as a percent of levy dropped, as shown in this table. Due to the phase out provision in the HMVC program, the City anticipates that the impact of this lost revenue will decrease over time as property values rise above the phase out level.

Source: Hennepin County Taxpayer Services

CITY OF EDINA, MINNESOTA**ASSESSED VALUE OR TAX CAPACITY AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY**

Last Ten Fiscal Years

Table 4

(Unaudited)

Assessment Year	Real Property		Ratio of Total Tax Capacity to Total Estimated Market Value
	Tax Capacity	Estimated Market Value	
1996	\$ 85,775,887	\$ 4,071,654,134	2.11%
1997	91,586,990	4,074,713,634	2.25%
1998	87,726,810	4,267,758,501	2.06%
1999	85,963,836	4,535,761,900	1.90%
2000	90,055,752	4,861,730,000	1.85%
2001	72,133,594	5,821,566,500	1.24%
2002	77,665,879	6,328,581,300	1.23%
2003	83,089,465	6,909,476,700	1.20%
2004	90,934,037	8,033,679,900	1.13%
2005	101,559,484	8,693,345,900	1.17%

Source: Hennepin County Taxpayer Services

CITY OF EDINA, MINNESOTA
PROPERTY TAX RATES -
ALL OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(Unaudited)

Table 5

Payable Year	Tax Rates (Per \$1,000 of Assessed Valuation)				
	City	School	County	Other	Total
1996	16.331	62.268	37.270	7.494	123.363
1997	15.626	57.213	35.515	6.659	115.013
1998	16.813	47.499	38.388	7.538	110.238
1999	17.810	50.766	40.994	8.553	118.123
2000	17.669	51.678	39.655	8.426	117.428
2001	17.233	46.839	37.624	8.126	109.822
2002	27.806	18.504	50.409	9.847	106.566
2003	27.139	23.312	50.607	8.993	110.051
2004	25.565	22.670	47.324	8.256	103.815
2005	24.085	19.694	44.172	8.721	96.672

Source: Hennepin County Taxpayer Services

CITY OF EDINA, MINNESOTA
SPECIAL ASSESSMENT COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Table 6

Year	Total Levy	Collection of Current Year's Levy	Percent of Levy Collected	Delinquent Collections	Total Collections	Percent of Total Collections to Total Levy	Total Outstanding Assessments
1996	\$ 768,800	\$ 764,997	99.51%	\$ 16,636	\$ 781,633	101.67%	\$ 13,389
1997	590,048	576,513	97.71%	9,036	585,549	99.24%	17,889
1998	654,442	635,476	97.10%	3,798	639,274	97.68%	33,057
1999	773,251	753,251	97.41%	14,273	767,524	99.26%	38,784
2000	960,562	930,484	96.87%	5,586	936,070	97.45%	63,275
2001	1,003,856	975,921	97.22%	51,173	1,027,094	102.31%	40,038
2002	974,141	950,417	97.56%	23,756	974,173	100.00%	40,006
2003	978,278	964,440	98.59%	24,439	988,879	101.08%	29,404
2004	900,817	894,713	99.32%	13,019	907,732	100.77%	34,427
2005	1,061,234	1,035,470	97.57%	24,995	1,060,465	99.93%	35,199

CITY OF EDINA, MINNESOTA**RATIO OF NET BONDED DEBT****TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(Unaudited)

Table 7

Fiscal Year	Population (1)	Net Tax Capacity	Gross Bonded Debt (2)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Tax Capacity	Net Bonded Debt Per Capita
1996	46,845	\$ 80,087,160	\$ 92,680,000	\$ 25,429,215	\$ 67,250,785	83.97%	\$ 1,436
1997	47,029	77,762,151	94,385,000	17,929,523	76,455,477	98.32%	1,626
1998	47,113	85,259,000	70,260,000	589,371	69,670,629	81.72%	1,479
1999	47,235	77,165,969	73,005,000	4,384,419	68,620,581	88.93%	1,453
2000	47,425	83,715,952	88,175,000	21,251,947	66,923,053	79.94%	1,411
2001	47,465	61,006,501	72,465,000	8,321,645	64,143,355	105.14%	1,351
2002	47,465	65,486,283	70,735,000	3,070,758	67,664,242	103.33%	1,426
2003	47,570	70,755,808	68,740,000	4,053,306	64,686,694	91.42%	1,360
2004	48,156	90,934,037	60,835,000	3,102,028	57,732,972	63.49%	1,199
2005	48,050	101,559,484	68,380,000	10,808,902	57,571,098	56.69%	1,198

(1) Population estimates provided from Metropolitan Council which reflect the federal census.

(2) Includes all long-term bonded general obligation and revenue debt.

CITY OF EDINA, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
INCLUDING DEBT RATIOS
December 31, 2005
(Unaudited)

Table 8

	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable In City	City Share of Debt
<u>Overlapping Debt:</u>			
Hennepin County	\$ 370,442,913	7.07%	\$ 26,190,314
Hennepin Suburban Park District	45,571,202	9.31%	4,242,679
Hennepin Regional Rail Authority	46,547,489	7.07%	3,290,907
School Districts:			
ISD No. 273 (Edina)	117,042,947	98.39%	115,158,556
ISD No. 270 (Hopkins)	83,884,254	8.75%	7,339,872
ISD No. 271 (Bloomington)	123,154,593	0.01%	12,315
ISD No. 272 (Eden Prairie)	130,035,000	0.95%	1,235,333
ISD No. 280 (Richfield)	20,790,915	17.37%	3,611,382
ISD No. 283 (St. Louis Park)	86,139,752	0.02%	17,228
Metro Council	206,623,754	3.18%	6,570,635
Total Overlapping Debt	1,230,232,819		167,669,221
<u>Direct Debt:</u>			
City of Edina	29,963,863	100.00%	29,963,863
Total Overlapping and Direct Debt	\$ 1,260,196,682		\$ 197,633,084
<u>Debt Ratios:</u>			
Ratio of debt per capita (48,050 population)			\$ 4,113
Ratio of debt to estimated market valuation of \$8,693,345,900			2.27%

(1) Calculation excludes revenue and special assessment bonds as well as sinking fund balance, if any.

Source: Hennepin County Taxpayer Services

CITY OF EDINA, MINNESOTA**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES****Table 9**

Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Other</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Percent of Debt Service Expenditures To General Expenditures</u>
1996	\$ 1,400,000	\$ 4,881,475	\$ 6,281,475	\$23,128,537	27.16%
1997	2,120,000	4,502,948	6,622,948	24,000,082	27.60%
1998	2,224,724	4,099,809	6,324,533	25,390,000	24.91%
1999	3,275,000	3,262,266	6,537,266	25,131,088	26.01%
2000	6,050,000	3,108,601	9,158,601	25,814,880	35.48%
2001	3,740,000	3,148,719	6,888,719	28,382,482	24.27%
2002	5,885,000	3,094,480	8,979,480	30,675,141	29.27%
2003	5,700,000	2,883,377	8,583,377	30,539,932	28.11%
2004	6,450,000	2,478,587	8,928,587	32,799,091	27.22%
2005	6,830,000	2,543,639	9,373,639	34,359,170	27.28%

Note: This table includes General, Special Revenue and Debt Service Funds.

CITY OF EDINA, MINNESOTA
REVENUE BOND COVERAGE
Last Ten Fiscal Years
(Unaudited)

Table 10

Fiscal Year	Gross operating revenue	Direct operating expenses (1)	Net revenue available for debt service	Debt service requirements			
				Principal	Interest	Total	Coverage
Utility Bond							
1996	7,753,016	7,007,293	745,723	370,000	52,019	422,019	177
1997	8,110,744	7,526,033	584,711	390,000	40,744	430,744	136
1998	8,108,612	7,226,648	881,964	400,000	22,184	422,184	209
1999	8,502,423	6,713,673	1,788,750	420,000	83,429	503,429	355
2000	8,793,386	7,205,934	1,587,452	335,000	127,525	462,525	343
2001	8,556,810	7,065,589	1,491,221	310,000	116,794	426,794	349
2002	8,561,287	7,399,773	1,161,514	325,000	105,205	430,205	270
2003	9,668,434	7,769,810	1,898,624	335,000	160,691	495,691	383
2004	9,473,355	7,643,129	1,830,226	635,000	158,451	793,451	231
2005	10,225,975	8,107,039	2,118,936	645,000	141,226	786,226	270
Recreational Facility Bonds							
1996	4,311,141	3,545,291	765,850	250,000	774,800	1,024,800	75
1997	4,440,202	3,945,975	494,227	295,000	762,411	1,057,411	47
1998	5,042,394	4,270,042	772,352	4,240,000	372,390	4,612,390	17
1999	5,141,606	4,332,932	808,674	430,000	522,050	952,050	85
2000	5,727,930	5,209,610	518,320	450,000	553,962	1,003,962	52
2001	5,430,507	5,231,143	199,364	470,000	531,176	1,001,176	20
2002	5,424,422	5,031,839	392,583	6,780,000	611,509	7,391,509	5
2003	5,866,300	5,511,730	354,570	745,000	265,602	1,010,602	35
2004	5,621,743	5,492,510	129,233	820,000	241,387	1,061,387	12
2005	5,708,827	5,604,464	104,363	850,000	214,108	1,064,108	10

(1) Before interest costs.

CITY OF EDINA, MINNESOTA
PROPERTY AND CONSTRUCTION VALUES
 Last Ten Fiscal Years
 (Unaudited)

Table 11

Year	Commercial construction		Residential construction		Property value *	
	Number of Permits	Value	Number of Permits	Value	Commercial/Industrial	Residential/Apartments
1996	279	\$ 35,789,432	1,318	\$ 31,334,870	\$ 745,200,700	\$ 3,326,107,834
1997	407	37,074,290	1,780	32,387,315	824,767,100	3,438,309,200
1998	462	38,495,806	1,830	35,625,118	904,869,800	3,623,187,200
1999	323	36,708,942	3,478	27,637,742	980,837,900	3,924,031,400
2000	1,418	66,980,499	4,013	48,278,737	1,069,928,100	4,387,874,100
2001	834	86,608,740	4,973	65,574,279	1,173,397,300	5,056,797,500
2002	757	44,300,120	4,841	69,612,658	1,217,214,600	5,834,821,900
2003	812	50,696,987	4,827	85,287,525	1,202,162,900	6,286,945,800
2004	876	46,251,604	4,943	83,315,920	1,176,787,600	6,856,892,300
2005	857	131,497,513	5,080	100,027,692	1,298,757,600	7,396,894,700

* Assessor's estimated market value

Source: City of Edina Building Inspections Office

CITY OF EDINA, MINNESOTA
PRINCIPAL TAXPAYERS
2005
(Unaudited)

Table 12

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Net Tax Capacity</u>
Southdale	Shopping center	\$ 3,483,870
Galleria	Shopping center	1,525,904
Southdale Office park	Office building	717,250
Centennial lakes Phase V	Office building	543,824
Centennial Lakes Phase IV	Office building	533,268
7700 France	Office building	463,742
Southdale Medical Building	Office building	343,884
May Department Stores	Retail	343,044
Centennial Lakes Phase III	Office building	333,360
Centennial Lakes Phase II	Office building	322,194

Source: City of Edina Assessing Office

CITY OF EDINA, MINNESOTA
MAJOR EMPLOYERS IN THE CITY
2005
(Unaudited)

Table 13

Employer	Product/Service	Approximate Number of Employees
Jerry's Enterprises Inc.	Grocery Stores	4,500
Fairview Southdale Hospital	General Medical & Surgical Hospitals	2,500
Marshall Fields	Department Stores	1,200
Edina Public School ISD#273	Elementary & Secondary Schools	1,172
Nash Finch Co.	Grocery Stores	350
International Dairy Queen Inc.	Full-Service Restaurants	300
City of Edina	Local Government	262
J.C. Penney	Department Stores	250
Edina Realty	Real Estate	210
Con Agra Foods	Snack Food Mfg	196

Source: City of Edina "Community Profile", Minnesota Department of Trade and Economic Development, 2005

CITY OF EDINA, MINNESOTA
DEMOGRAPHIC STATISTICS
 Last Ten Fiscal Years
 (Unaudited)

Table 14

Fiscal Year	Population (1)	Personal Income (2) (In thousands)	Per Capita Personal Income (3)	Median Age (4)	High School Graduation Rate (4)	Unemployment Rate (5)
1996	46,845	\$ 1,363,049	\$ 29,097	32.7	88.2%	1.80%
1997	47,029	1,446,612	30,760	32.7	88.2%	1.60%
1998	47,113	1,556,896	33,046	32.7	88.2%	1.50%
1999	47,235	1,628,002	34,466	32.7	88.2%	1.60%
2000	47,425	1,747,042	36,838	32.7	88.2%	2.40%
2001	47,465	1,774,194	37,379	34.9	91.5%	3.30%
2002	47,465	1,796,693	37,853	34.9	91.5%	4.00%
2003	47,570	1,847,429	38,836	34.9	91.5%	4.10%
2004	48,156	1,970,303	40,915	36.2	93.1%	3.90%
2005	48,050	N/A	N/A	36.2	93.1%	3.30%

N/A - Data not available

Data Sources

- (1) U.S. Census Bureau/Metropolitan Council.
- (2) Estimates based on U.S. Department of Commerce Bureau of Economic Analysis data for the entire seven-county metropolitan area.
- (3) U.S. Department of Commerce Bureau of Economic Analysis. Per capita income is for the entire seven-county metropolitan area.
- (4) U.S. Census Bureau. Data is for Hennepin County.
- (5) State of Minnesota Department of Employment and Economic Development.

Date of incorporation	December 17, 1888
Form of government	Plan B
Date of adoption of Council-Manager Plan	January 1, 1955
Fiscal year begins	January 1
Area of city	16 square miles
Percent of City developed with buildings	97%
Municipal bond rating	Aaa
Miles of streets	224 miles
Miles of sanitary sewer	186.22 miles
Sewer connections	14,851
Fire protection:	
Number of stations	2
Number of employees (full time)	31
Police Protection:	
Number of stations	1
Number of employees (full time)	67
Park land:	
Present park acres and open space	1,600
Total improved park acres	1,007
Number of parks	40
Private golf courses	2
Public golf courses	3
Municipal water:	
Number of wells	18
Miles of watermain	199
Gallons of storage	7 million
Number of consumers	14,636